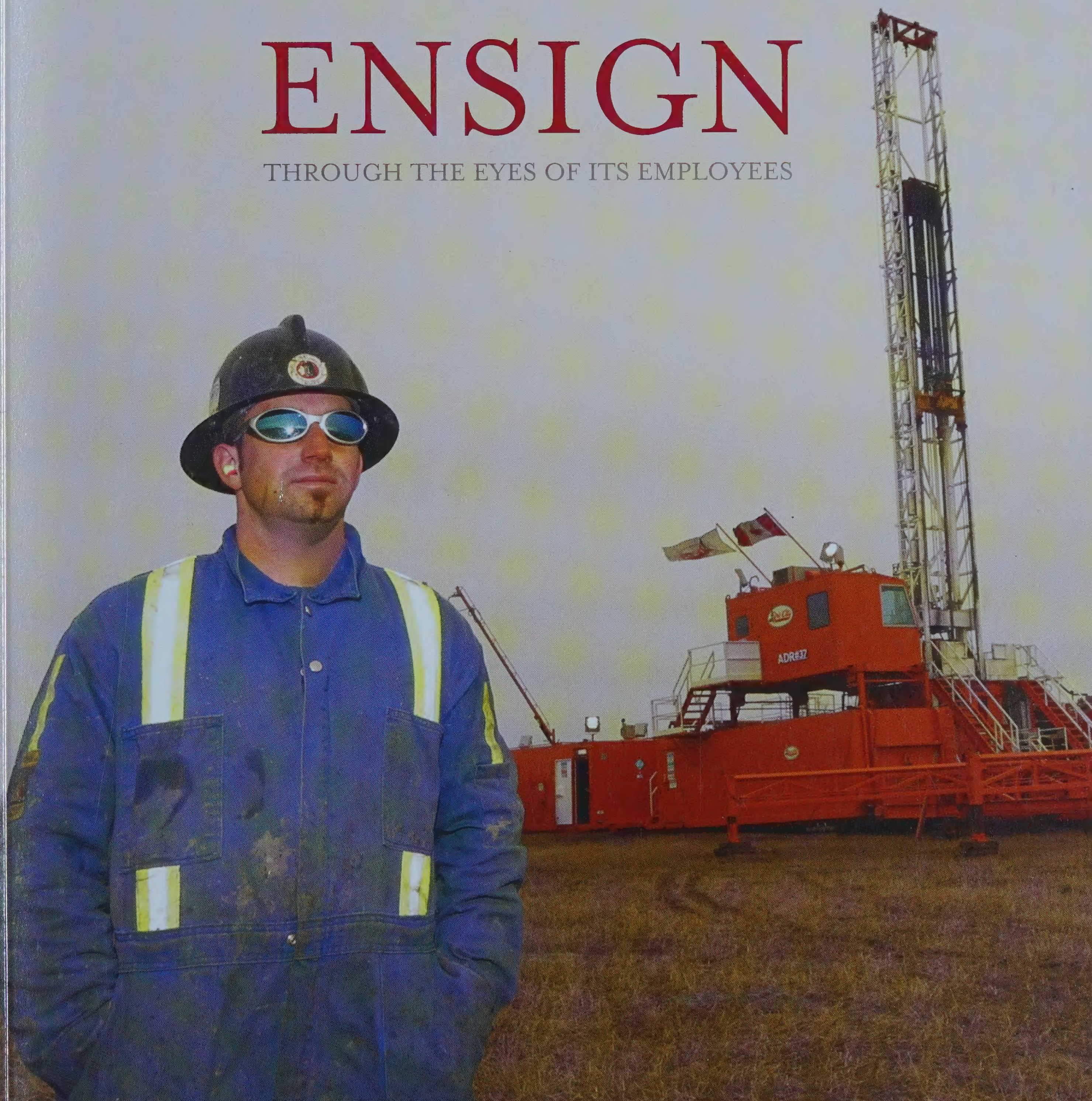
2003 ANNUAL REPORT

ENSIGN

THROUGH THE EYES OF ITS EMPLOYEES

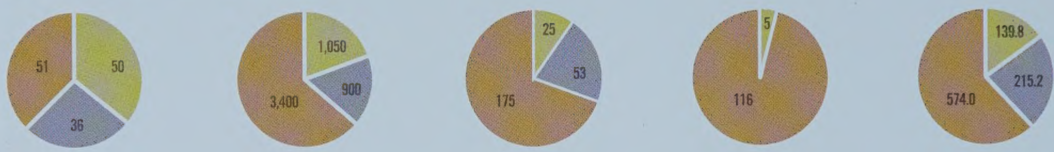


ENSIGN RESOURCE SERVICE GROUP INC.

Ensign Overview

Ensign Around The World

Canada · United States · International



Experience (years) · **Employees** · **Drilling rigs** · **Service rigs/ coiled tubing units** · **2003 revenue** ($ millions)

Operating divisions

	Canada	United States	International
Contract Drilling	Ensign Drilling Partnership · Ensign Drilling · Tri-City Drilling · Champion Drilling · Big Sky Drilling · Encore Coring & Drilling	Caza Drilling Inc. Caza Drilling (California) Inc. Encore Coring & Drilling (USA) Inc.	Oil Drilling & Exploration Ltd.
Underbalanced Drilling and Rental Equipment	Enhanced Petroleum Services Partnership · Enhanced Drill Systems · Chandel Equipment Rentals		
Well Servicing	Rockwell Servicing Partnership		Oil Drilling & Exploration Ltd.
Manufacturing and Production Services	Opsco Energy Industries Ltd.	Opsco Energy Industries (USA) Ltd.	

Contract Drilling Rig Depth (meters)

	Total	0-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	5,000+
Ensign	71	1	10	33	24	1	2
Tri-City	30	2	16	11	1	–	–
Champion	33	2	21	10	–	–	–
Big Sky	18	–	5	11	2	–	–
Encore	23	23	–	–	–	–	–
Caza Rockies	41	–	–	13	17	11	–
Caza California	12	1	4	3	4	–	–
OD&E	25	–	–	9	5	5	6
OD&E-Workover	5	–	–	1	–	4	–

Service Rig Classifications

	Total	Coil Tubing Units	Slant Single	Skid Single	Mobile Single	Mobile Double	Medium & Heavy Doubles
Rockwell	116	11	8	2	67	18	10

Highlights

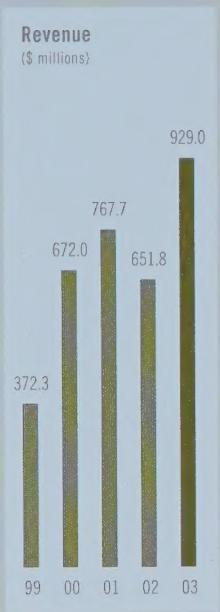
($ thousands, except where noted)	2003	2002	% change
Revenue	928,960	651,768	43
Operating earnings	170,578	89,660	90
Net income	99,030	51,743	91
Per share ($)	1.32	0.70	89
Cash flow [1]	173,390	100,064	73
Per share ($)	2.31	1.35	71
Shareholders' equity	563,659	475,476	19
Long-term debt, excluding operating line of credit	–	12,814	(100)
Weighted average number of shares outstanding (000s)	75,005	74,197	1
Number of marketed drilling rigs – December 31			
Canada	152	144	6
United States	53	52	2
International (includes workover rigs)	30	29	3
Number of marketed well servicing rigs and coiled tubing units – December 31			
Canada	116	105	10
Contract drilling			
Operating days			
Canada	26,354	19,974	32
United States	13,431	8,759	53
International [2]	6,615	3,635	82
Rig utilization rate (%)			
Canada	49.8	37.1	34
United States	70.4	37.1	90
International	62.5	68.1	(8)
Well servicing utilization rate (%)	47.3	41.5	14

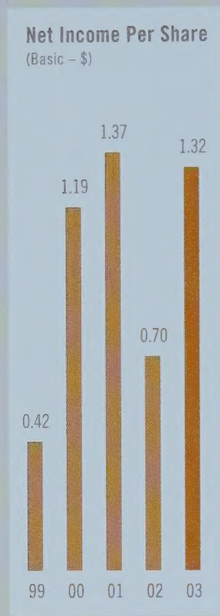
(1) Cash flow is defined as "Cash provided by operating activities before the change in non-cash working capital".
(2) 2002 results reflects six months of operations.

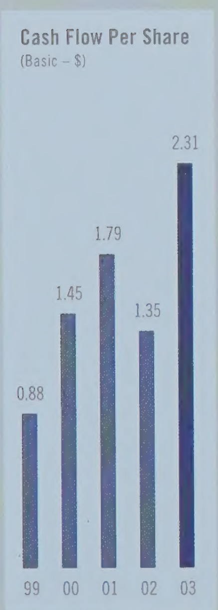
Non-GAAP Measures

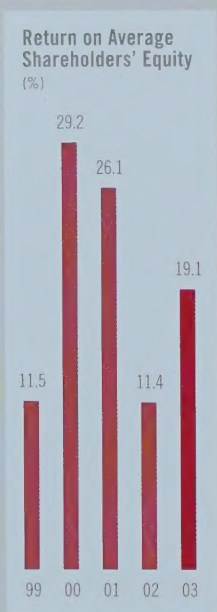
This annual report contains references to measures commonly referred to as non-GAAP. Additional disclosure relating to these measures are set forth in the Management's Discussion and Analysis on pages 28 and 33 of this annual report.

Ensign's Performance









Ensign Resource Service Group Inc.

Ensign Resource Service Group Inc. is an international oilfield services contractor based in Calgary, Alberta that has, since beginning operations in 1988, continually built up its service capability through acquisitions, equipment development and upgrading – all driven in response to customer demand. Ensign operates one of the largest onshore drilling rig fleets in the world and provides a broad range of oilfield services including contract drilling, well servicing, slickline and braided wireline services, production testing, oilfield equipment rentals and the custom manufacture of oilfield equipment in support of the oil and natural gas industry. For 2004, approximately 60% of the Company's revenue is expected to be generated in Canada; 25% is expected to be generated in the United States; and 15% is expected to be generated in the international market. Ensign Resource Service Group Inc. is listed on the Toronto Stock Exchange, symbol ESI.

Ensign Resource Service Group Inc. exhibits the same core values – whether looking at the Company from the outside in or through the eyes of employees, on the inside looking out. Ensign is steadfast, adhering to the values that have generated above average returns in the oilfield services industry for the past 15 years.

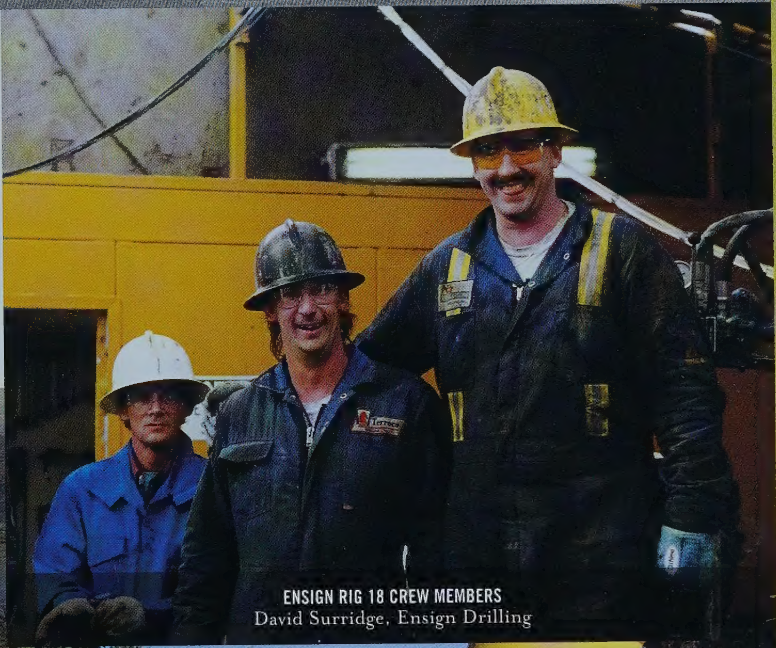
The Company's growth and solid financial performance have been generated by building a quality asset base of diverse operations augmented with opportunistic acquisitions, a focus on current and anticipated customer needs, and financial discipline throughout the organization.

Diverse Operations

From the fast-drilling, shallow depth rigs, through to the "triples" that reach more than 5,000 metres in depth, to the specialty underbalanced drilling equipment and the recently acquired coalbed methane and oilsands coring drilling equipment, Ensign is positioned to service all onshore oil and natural gas drilling requirements throughout the world. Canadian oilfield services also include well servicing, slickline and braided wireline services, production testing and oilfield equipment rentals. A new manufacturing facility being constructed in Calgary, Alberta will expand the Company's ability to custom manufacture equipment in support of the oil and natural gas industry.

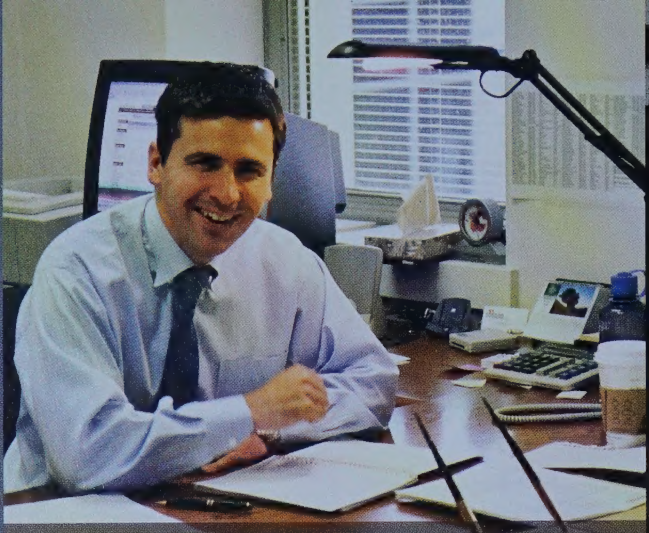
RIGGING UP
Louis Henley, Tri-City Drilling

CAZA RIG 83
Caza Archives



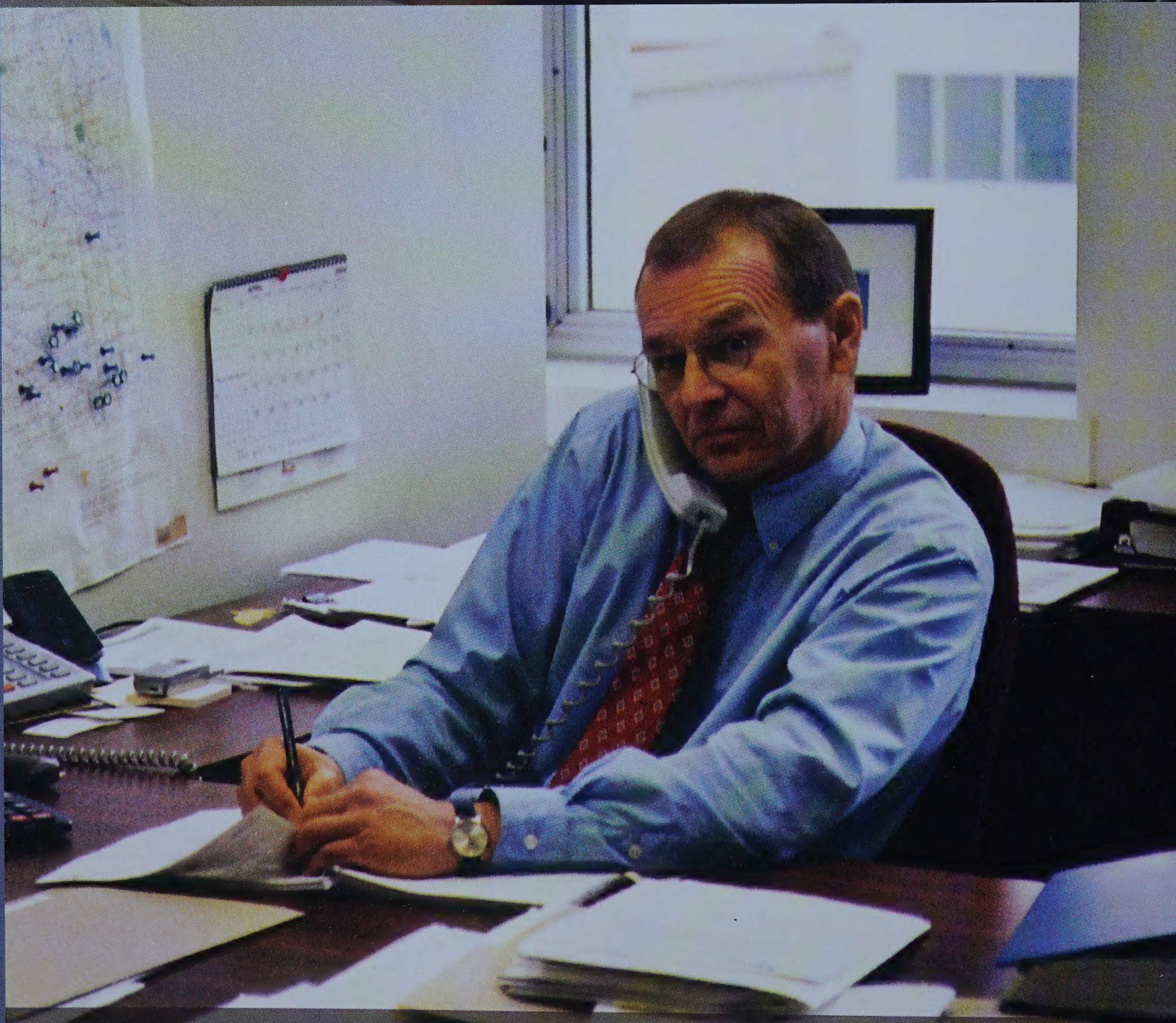
ENSIGN RIG 18 CREW MEMBERS
David Surridge, Ensign Drilling

TEMANE LOCALS, MOZAMBIQUE
Anthony Westbrook, ODE



TOM MEDVEDIC, TREASURER
Bruce Moyes, Ensign Drilling

MORNING SALES MEETING
Tom Fellows, Ensign Drilling



RICK SIMONTON, SALES AND MARKETING DIRECTOR
Bruce Moyes, Ensign Drilling

Financial Discipline

Ensign realized long ago that the oilfield services industry is subject to cyclicality outside of the control of the Company. The cyclicality of the industry presents opportunities, but only if the resources are available to take advantage of such opportunities. Ensign has over the years developed such resources due largely to a company-wide dedication to financial discipline. Expenditures are carefully timed with anticipated activity levels. The Company has also employed a very conservative approach towards its financing. All of Ensign's remaining long-term debt was repaid in 2003.

Opportunistic Growth

Through its history, Ensign has carried out a number of strategic acquisitions. Ensign does not set growth targets that would result in growth for the sake of growth, but rather evaluates every potential opportunity on its own merits. Such opportunities must clearly demonstrate the potential to contribute to bottom-line performance and complement the asset base before the Company proceeds.

TRI-CITY RIG 24
Lynn Henley, Tri-City Drilling

ODE RIG 40, OMAN
Dean Hills, ODE

ODE RIG 41, INDONESIA
ODE Archives

SAFETY SUCCESS, ODE CREWS
Dean Hills, ODE

ODE RIG 28 CREW AT WORK
ODE Archives

SAFETY FIRST
Ensign Archives

ENSIGN RIG 62 ROUGHNECKS AT WORK
Ian McCabe, Ensign Drilling

Commitment to Safety

A consistent value through Ensign's history, the Company is committed to high safety standards for all divisions. In 2003, Ensign's suite of safety and training programs were brought together under the "Driving to Zero" banner. Basically, Ensign believes that all employees are responsible for safety and that no incident is acceptable. This commitment from the work site to the boardroom is essential to meet our target of zero injuries and incidents.

Customer-Focused

The oilfield services industry is, and always has been, highly competitive. Ensign's success depends on a number of consistent approaches to its business – training and safety of people, quality of rigs and equipment and financial discipline. All of these efforts have a singular focus: the needs of our customers. We continually train our people, upgrade and expand our equipment fleet and implement new technology throughout our operations to ensure that we continue to meet the needs of our customers, now and in the future.

RUNNING WIRELINE, OPSCO
Opsco Archives

JOHN BONNEL, ENSIGN 11 RIG MANAGER
Ensign Archives

HAMPION ADR™ 49 WITH COILED TUBING UNIT
Glen Nielsen, Champion Drilling

RIGGING UP
Louis Henley, Tri-City Drilling

To Our Shareholders

The fiscal year ended December 31, 2003 was an excellent year for Ensign Resource Service Group Inc. – net income for the year was the second best in the Company's history. Ensign continued to expand in 2003, acquiring drilling and well servicing rigs and constructing new rigs and equipment to meet customer demand. The opportunistic expansion combined with higher industry activity levels, particularly in North America, and the first full year of operations of our international division since its acquisition in July 2002 resulted in strong year-over-year increases in revenue, gross margin, net income and cash flow.

HIGHLIGHTS OF 2003 INCLUDE:

- Strengthened the Canadian operations – adding nine drilling rigs, 11 well servicing rigs, four underbalanced drilling units and oilfield rental equipment;
- Realized a successful, first full year of operation of the newly acquired international division;
- Recorded revenue of $929.0 million for 2003, representing a 43% increase over 2002;
- Recorded a net income increase of 91% to $99.0 million ($1.32 per share); and
- Eliminated long-term bank debt during the year, ending 2003 with zero long-term debt.

Ensign's results were positively influenced by the strong, prevailing oil and natural gas commodity prices that generated higher levels of oilfield service activity across the industry. Ensign was able to capitalize on the industry conditions through its key strengths: diversified operations, financial discipline, opportunistic growth strategy and commitment to safety and training.

DIVERSE OPERATIONS

Ensign's operations are diverse, providing a broad scope of drilling, well servicing and a host of related oilfield services that production companies need, such as mechanical and braided wireline services, production testing, oilfield equipment rentals and custom manufactured oilfield equipment. The common features of these services are that they all represent quality expertise and equipment.

Ensign is a presence in Canada with the second largest drilling rig fleet and the third largest well servicing rig fleet, and in the United States with the second largest drilling rig fleet in the Rocky Mountain region. Internationally, through the 2002 acquisition of Australia-based Oil Drilling & Exploration Limited (OD&E), Ensign serves key markets in Australia, New Zealand, Southeast Asia, the Middle East, Africa and South America.

All Canadian divisions experienced increased levels of activity through 2003 compared to the prior year. Much of the increase in activity was driven by the strength of oil and natural gas prices and the resulting increase in demand for oilfield services throughout western Canada.

In the United States, activity levels made strong gains in the Rocky Mountain region, a natural gas driven market, where the Company has a significant presence. To further leverage off the increase in regional activity, Ensign has plans to move three additional deep drilling rigs from its Canadian fleet to the United States Rocky Mountain region early in 2004. This additional equipment will further strengthen the Company's United States drilling fleet. The Company's California-based division did not have as strong a year in 2003 as the California market is characterized by shallow heavy oil production. However, the Company has subsequently adjusted its marketing focus to include the natural gas producing areas of northern California. Signs in early 2004 indicate that due to these strategic adjustments, contributions from the California division should begin to improve over the prior year.

For 2003, the international operations were a significant contributor to the year's financial performance, representing 24% of the growth in revenue. Two one-time items also positively affected the international contribution for 2003. The first was a $9.2 million increase to revenue in the fourth quarter resulting from the early cancellation of a drilling contract in Indonesia. This cancellation was due, in part, to the drilling program finishing ahead of schedule. The second item that had a positive impact resulted from the enactment of a new consolidated tax regime in Australia. This legislation resulted in additional tax depreciation being available to the Company's international operations. Consequently, a reduction of future income tax expense of $13.3 million was recorded in the fourth quarter of 2003. The outlook for the international division in 2004 and beyond looks promising given positive oil and natural gas industry fundamentals as evidenced by recent increases in bidding activity in certain regions serviced by the Company.

Ensign's extensive experience in all aspects of drilling and oilfield services has resulted in an internationally recognized reputation in the industry. The Company has the personnel and equipment required to meet the requirements of the most demanding customers.

FINANCIAL DISCIPLINE

The impact of a year of heightened drilling activity, particularly in North America, is reflected in Ensign's bottom line. Prudent cost control and attention to detail results in improved margins during periods of increased industry activity. The Company's profit margin in 2003 was 26.4% compared to 23.7% in the prior year, good results given Ensign's policy of expensing recertifications and major repairs to its equipment. Further, 2004 operating costs should benefit from these expenditures which were undertaken in 2003. For our shareholders, the evidence of Ensign's financial discipline is also demonstrated in key performance indicators. Net income per share increased by 89% in 2003 to $1.32 per common share, cash flow per share increased by 71% to $2.31 per common share and the return on average shareholders' equity was 19.1%, up from 11.4% in 2002.

During 2003, Ensign accessed its operating lines of credit in order to fund reinvestment in the fleet and acquisitions completed in the fourth quarter. As well, Ensign eliminated its long-term bank debt during the year, ending 2003 with zero long-term debt. This conservative approach to finance retains flexibility to pursue additional opportunities as they become available, provided they meet the Company's investment hurdles and are complementary to the Company's strategic goals.

OPPORTUNISTIC GROWTH

Ensign has grown and remained consistently profitable through its history because of the combination of financial discipline and opportunistic growth. Ensign reinvests cash flow into its business by continually upgrading rigs and equipment, developing technology and reinvesting in expertise through training programs. Along with this internally generated growth, Ensign has been an active consolidator in the industry. For 2003, these two approaches to managed growth were, again, successful.

Highlights of 2003 reinvestment include construction of an ADR™ for use in Gabon, west Africa and four underbalanced drilling units for use in Canada, the major refurbishment of 17 well servicing rigs in Canada and the continuation of the program to upgrade and modernize the Company's drilling rig fleet. In addition, the Company constructed a state-of-the-art drilling rig in late 2003 for use in a joint venture with the Fort Nelson First Nations residing in northeast British Columbia. The rig will be jointly owned by Ensign and the Fort Nelson First Nations and will be well utilized in the very active northeast British Columbia region.

A property acquisition in Calgary's industrial area during 2003 will be the site of a new, expanded manufacturing site for the Opsco division. The new 40,000 square foot manufacturing facility will allow for increased capacity and product lines and should be complete before the end of 2004.

Several acquisitions took place in the fourth quarter of 2003 and featured the purchase of Big Sky Drilling and its fleet of eight drilling rigs based in southeastern Saskatchewan. This acquisition allowed Ensign the opportunity to consolidate its position in this market area. Similarly, the acquisition of the assets of Crown Well

Servicing and its 11 well servicing rigs affords the Company a strategic advantage and provides improved well servicing coverage in central Alberta. With both of these transactions completed late in 2003, their contribution to results will be reflected throughout 2004.

In January 2004, the Company acquired the assets of Layne Christensen Canada Limited ("Layne"). This acquisition enabled Ensign to enter the oilsands coring and coalbed methane drilling markets, anticipated growth areas for the oil and natural gas industry. The Layne assets consisted of 23 specialty coring/drilling rigs that will be operated by the Company as Encore Coring & Drilling.

Ensign will continue its opportunistic approach to growth and will reinvest in its existing fleet while also considering other opportunities that add value through their strategic fit. The majority of such growth will continue to be funded by internally generated funds. Operating lines or a conservative use of long-term debt are always available to fund any acquisitions that could exceed cash flow for 2004.

COMMITMENT TO SAFETY

Increased investment in safety programs through 2003 is in keeping with Ensign's long-standing commitment to safe operations. An investment in safety standards and practices is good business; reducing the cost of operations and creating the opportunity to provide services to major customers who set high safety standards for their service providers. But more than a business consideration, at Ensign, we're committed to work towards no incidents or injuries through an extensive program we've coined "Driving to Zero." This objective will not happen overnight and will require a cultural shift, but we are dedicated to achieving this result.

A highlight of the Driving to Zero campaign is participation in an industry initiative known as "Safety Stand Down Week" which is undertaken each year. As part of this program, senior management makes visits to Ensign's field sites for the purpose of delivering the message of the importance of safe operations. A key component of this message is that each and every employee is responsible for safe practices and should never feel pressured to cut corners. This is a particularly important aspect of taking safety seriously when the industry is operating at peak activity levels. Being able to put quality equipment to work with well trained and safe crews is key to managed growth, and Ensign makes the commitment, at all levels of the organization, through its safety and training programs as well as through reinvesting in its equipment.

CUSTOMER FOCUSED

Ensign's safety commitment, financial discipline and opportunistic growth strategy are all in support of our mission to provide quality oilfield services to our customers. Ensign is a service company and as such, all of our efforts must be driven by customer needs. This focus is reflected in our development of new technology that improves safety, increases efficiency or reduces cost. It's also reflected in our continual investment in upgrading the fleet to ensure the competitive quality and performance our customers have come to expect.

An important aspect of customer focus is anticipating needs, and much of our technology development and investments reflect that focus. Ensign, through the recent acquisition of the Layne assets, invested in personnel and equipment that will serve coalbed methane and oilsands development, both segments that are in the relatively early stages of development. We anticipate these will be growth areas for the industry and, with the operations we acquired, we are well positioned to participate in these growth areas. Whether for a new service or for our traditional drilling and well servicing services, Ensign strives to provide high quality, well-maintained equipment with well-trained crews.

CONCLUSION AND OUTLOOK

With the outlook for oil and natural gas commodity prices remaining positive, industry experts, from the drilling company associations to financial analysts, are publishing 2004 forecasts that reflect continued high levels of demand for oilfield services. In this regard, Ensign has experienced a very good start to the 2004 fiscal year with strong first quarter activity levels in North America throughout the Company's service lines. Further, we are very encouraged by the higher levels of advanced bookings for rigs through the upcoming summer and fall compared to last year at this time. We are also encouraged by the amount of recent bidding activity in the international market. International oilfield service work generally consists of longer contracts with longer lead-times. Increased bidding activity is a positive indicator for this key division of the Company.

With the high levels of utilization early in 2004 and the increased bookings for later in the year, Ensign is expecting to see its utilization rates at least as strong in 2004 as they were in 2003. This solid level of utilization allows the Company to operate the fleet more efficiently and it is expected that bottom-line performance in 2004 will reflect such operational strength.

In 2003, the solid financial performance enabled the Company to increase the quarterly dividend from $0.055 per share to $0.07 per share. Ensign has increased its dividend in every year since implemented in 1995.

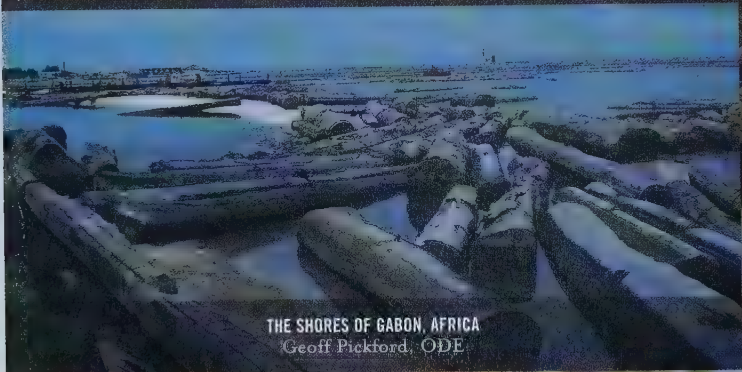
Ensign's growth has resulted in a couple of internal management changes, which puts in place long-term succession planning for the Company. Bob Geddes has been promoted to the newly created position of President of Canadian Operations and Edward Kautz has assumed the newly created position of Executive Vice President, United States and International Operations. These appointments will ensure that Ensign's growth and financial performance will continue to be well managed.

While 2003 was a rewarding year, the level of activity was demanding on all Ensign employees. We acknowledge their commitment to safety and high quality service and we thank them for their efforts.

N. Murray Edwards
Chairman
April 7, 2004

Selby Porter
President

ROCKWELL SERVICING RIG 36
Brett Taylor, Rockwell Servicing Partnership



THE SHORES OF GABON, AFRICA
Geoff Pickford, ODE

ODE RIG 26 DERRICK MAN AT WORK, OMAN
Dean Hills, ODE

CAZA RIG 83
Caza Archives

Safety and Environment

Driving to Zero

SAFETY IS A TOP PRIORITY

Ensign Resource Service Group Inc. is committed to safety and in 2003, its formal safety and training programs were substantially increased in response to the demands of higher industry activity levels. While it has always been a key priority to ensure worker safety and recognize that as an essential element of success, management renewed a commitment to take safety training to a higher level. Safety is first on the agenda at each Board of Directors and senior management meeting. Data is continually collected and shared through the organization so that everyone is aware of current safety issues and performance.

The Company compares favorably against statistics provided by Canadian, United States and international drilling associations. In all areas of the industry, trends over the past three years show gradual improvements in safety and Ensign is measuring its record, targeting that same reduction in injuries.

Ensign recognizes that beyond efforts to train employees, a shift in attitude towards a culture that is "safety minded"at all levels of the organization is required to ensure that employees diligently support and apply safe habits on and off the work site.

In order to develop a higher standard of safety throughout the organization, Ensign has undertaken a program that highlights the following beliefs:

1. All injuries are preventable. Many divisions, rigs, and crews have worked for months and years without hurting people, so we know it is possible. Therefore, any injury is unacceptable.
2. Management from senior executives through to crew supervisors are responsible and accountable for preventing injuries. One of management's fundamental responsibilities is to lead the safety effort in a sustained and consistent way, establishing safety goals, demanding accountability for safety performance, and providing the resources to make safety work.
3. Safety is also a personal responsibility and, therefore, it is made a condition of employment at Ensign.
4. All risks to safe operations can be controlled. They can't all be removed, but they can be controlled through supervision, job safety meetings, special training, safety devices and protective equipment.
5. Working safely comes through training and, therefore, Ensign is committed to both classroom and on-the-job instruction.
6. Information and communication are key components of spreading the safety message. Ensign carries out thorough inspections, safety audits, and investigations in order to ensure that standards are maintained and any hazard is dealt with promptly.
7. The final point that underscores all of Ensign's efforts is that safety is good business. Injuries and incidents are costs to an organization as well as to the individual affected. Ensign's financial results and its competitiveness as an employer and service provider are improved through good, safe operations.

As Ensign implements additional training and education programs, all of which include the goal of changing attitudes as well as practices, the Company will continue to measure and evaluate its progress to ensure continuous improvement in line with the Company's "Driving to Zero" philosophy.

ENVIRONMENT

The Ensign Group actively strives to reduce, reuse, recycle and reclaim materials used during the provision of oilfield services. As part of our efforts to innovate and develop new technologies, we keep environmentally friendly processes and operations at the top of our priority list. We are pleased to report that there have not been any serious environmental incidents in the Company's history; all incidents are dealt with on a timely basis to ensure they are properly contained. This is a responsibility we take seriously and it's a responsibility to our children and grandchildren.

TRI-CITY RIG 13
Tri-City Archives

FLARING GAS, CHAMPION RIG 25
Tim Mandel, Champion Drilling

TRI-CITY ADR™ 37
Tom Fellows, Ensign Drilling

ENSIGN RIG 10
David Surridge, Ensign Drilling

OMAN RIG MOVE
ODE Archives

Management's Discussion and Analysis

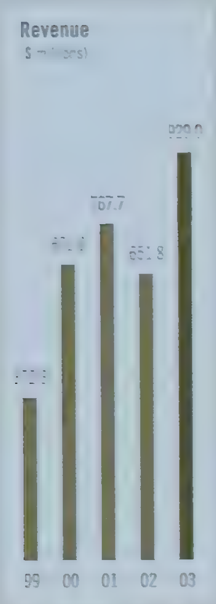
This management's discussion and analysis for Ensign Resource Service Group Inc. (the "Company" or "Ensign Group") and all of its subsidiaries and partnerships is supplemental to the consolidated financial statements and related notes contained in the Company's 2003 Annual Report. The consolidated financial statements for the year ended December 31, 2003 were prepared in accordance with generally accepted accounting principles in Canada.

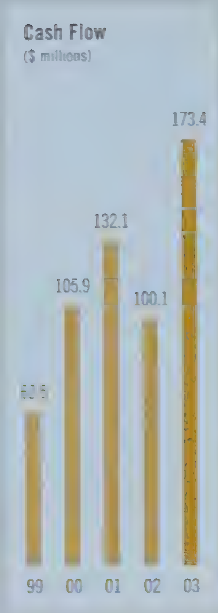
This management's discussion and analysis contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, national and economic conditions, foreign currency fluctuations, oil and natural gas prices, weather conditions and the ability of oil and natural gas companies to raise capital or other unforeseen conditions which could impact on the use of services supplied by the Company.

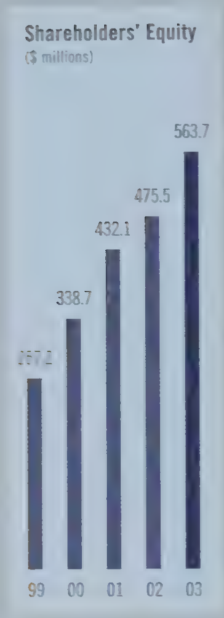
The fiscal year ended December 31, 2003 was an excellent year for the Ensign Group, with all divisions experiencing improved activity levels and financial performance that ranks as the second best in the Company's history. Strong financial performance in 2003 was influenced by increased levels of capital investment by the Company's customers, particularly in North America and the 2002 expansion into the international oilfield services arena through the acquisition of Oil Drilling & Exploration Limited ("OD&E").

OVERVIEW OF 2003

For 2003, the strength of crude oil and natural gas commodity prices had the single greatest impact on the Ensign Group's financial results, as strong industry fundamentals were, and continue to be, reflected in increased demand for oilfield services. During 2003, acquisitions added eight drilling rigs and 11 well servicing rigs, and two new drilling rigs and four new underbalanced drilling packages were constructed, augmenting the Company's existing fleet of oilfield services equipment during this period of high industry activity levels. The Ensign Group ended 2003 with a diverse and well-positioned fleet of rigs and equipment, a solid revenue base and an excellent financial position.







CONSOLIDATED RESULTS

Profitability improved for the year ended December 31, 2003, with net income up by 91% to $99.0 million ($1.32 per share) compared to $51.7 million ($0.70 per share) in 2002. Consolidated cash flow increased 73% to $173.4 million ($2.31 per share) from $100.1 million ($1.35 per share) in 2002. The improved financial performance was also reflected in the Company's return on average shareholders' equity, which increased from 11.4% in 2002 to 19.1% in 2003.

REVIEW OF OPERATIONS

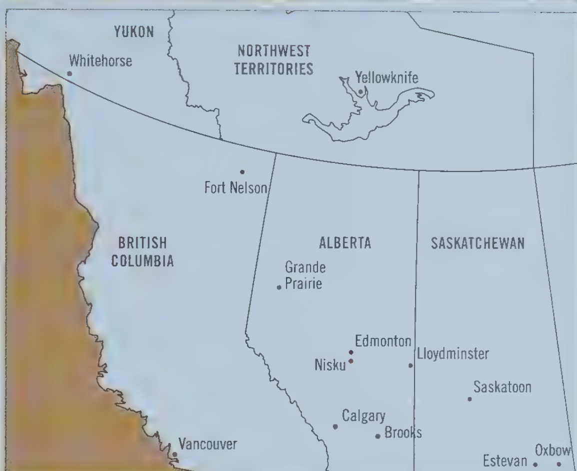
		Fleet Size	
Division	Geographic Coverage	2003	2002
Ensign Drilling	Central and north Alberta, northeast British Columbia	81	82
Champion Drilling	Southern Alberta and southwest Saskatchewan	33	32
Tri-City Drilling	Central and north Alberta, northeast British Columbia	30	30
Big Sky Drilling	Southeast Saskatchewan	8	–
Caza Drilling Inc.	United States Rocky Mountain region	41	40
Caza Drilling (California) Inc.	California and Nevada	12	12
OD Drilling & Exploration Limited	Australia, New Zealand, Southeast Asia, Africa, South America, the Middle East	30	29
Rockwell Servicing Partnership	Western Canada – well servicing rigs	116	105
Enhanced Drill Systems [1]	Western Canada – underbalanced drilling units	18	14
Opsco Energy Industries [2]	Western Canada		
Wireline units		35	35
Production testing units		41	41

[1] In addition to operating underbalanced drilling equipment, Enhanced Drill Systems is a division of a partnership that also has an inventory of oilfield rental equipment marketed as [illegible]

[2] In addition to providing wireline and production testing services, Opsco Energy Industries manufactures customized production equipment for use in the oil and natural gas industry.

[3] [illegible] at December 31, 2003. [illegible] drilling rigments transferred to the Big Sky Drilling division from the Ensign Drilling division.

CANADA
Tri-City Rig 30
Tri-City Archives



CANADIAN OILFIELD SERVICES

Revenues for the Canadian oilfield services divisions increased 37% to $574.0 million in 2003, up from $420.1 million in 2002. Improved results in all divisions operating in Canada reflect increased demand as a result of strong industry fundamentals. A significant contributor to increased oilfield service activity levels was the improved economics surrounding natural gas exploration and development.

Contract Drilling

Ensign's Canadian contract drilling operations are conducted through four divisions based out of three separate geographical locations. Ensign Drilling and Tri-City Drilling operate out of the Company's facility located in Nisku, Alberta, while Champion Drilling operates out of Brooks, Alberta and the Company's newest drilling division, Big Sky Drilling, operates out of Oxbow, Saskatchewan. Ensign's Canadian drilling rig fleet, the second largest in the industry, meets the highest standards of mobility and covers the full spectrum of oil and natural gas drilling depths, providing customers with both quality and flexibility when selecting a drilling rig.

Effective November 1, 2003, the Company acquired Big Sky Drilling Ltd. and its affiliated companies (collectively referred to as "Big Sky Drilling"). This acquisition added eight drilling rigs to the Canadian rig fleet in

Wells Drilled		Metres Drilled		Operating Days/Hours		Utilization (%)	
2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
1,403	1,203	**2,119,376**	1,779,708	**13,416**	10,171	**45.0**	33.3
2,324	2,011	**1,938,621**	1,653,769	**7,057**	5,678	**60.4**	48.9
1,099	787	**1,044,609**	769,986	**5,546**	4,125	**50.6**	35.3
36	–	**62,723**	–	**335**	–	**68.6**	–
739	488	**1,942,589**	1,310,640	**10,540**	6,411	**71.7**	46.3
384	333	**337,663**	279,592	**2,891**	2,348	**66.0**	54.0
228	102	**467,650**	221,095	**6,615**	3,635	**62.5**	68.1
n.a.	n.a.	**n.a.**	n.a.	**181,205**	159,713	**47.3**	41.3
n.a.	n.a.	**n.a.**	n.a.	**n.a.**	n.a.	**n.a.**	n.a.
n.a.	n.a.	**n.a.**	n.a.	**n.a.**	n.a.	**n.a.**	n.a.
n.a.	n.a.	**n.a.**	n.a.	**n.a.**	n.a.	**n.a.**	n.a.

the southeastern region of Saskatchewan. In addition, during 2003, the Ensign Group continued the process of upgrading and refurbishing its fleet of Canadian drilling rigs. Much of the refurbishment expenditure associated with the Company's Canadian rig fleet was incurred in the Tri-City Drilling division, upgrading drilling rigs that have historically been some of the oldest equipment in the fleet.

The size of the Canadian drilling rig fleet increased from 144 drilling rigs at December 31, 2002 to 152 drilling rigs at December 31, 2003 as a consequence of the addition of the Big Sky Drilling rigs. The construction of five drilling rigs in 2003 was partially offset by the decommissioning of four rigs during the year. Also, late in 2003, the Canadian drilling division transferred a drilling rig to Caza Drilling Inc., which operates in the Rocky Mountain region of the United States. The Company is currently in the process of transferring an additional three large drilling rigs out of its Canadian drilling rig fleet to Caza Drilling Inc. Current drilling demand in the Rocky Mountain region of the United States is calling for deeper drilling rigs, and the transfer of these three rigs to the United States will allow for greater utilization than if they were to remain in western Canada.

The first quarter of 2003 witnessed an increase in oilfield services activity in the arctic region of Canada. The Company participated in this activity by providing contract drilling, well servicing and production testing services through Gwich'in Ensign Oilfield Services Inc. ("GEOS") and Arctic Ensign Drilling Ltd. ("Arctic Ensign"). The Ensign Group owns 49% of each of GEOS and Arctic Ensign, which were established in 2001 for the purpose of providing oilfield services in the Gwich'in Settlement Area and the Inuvialuit Settlement Region of the Northwest Territories, respectively. Oilfield services activity levels in the arctic region of Canada are expected to be limited until such time as there is increased certainty regarding the proposed construction of the Mackenzie Valley pipeline.

Underbalanced Drilling

Enhanced Drill Systems, based out of Red Deer, Alberta, operates underbalanced drilling packages comprised of a completely self-contained system including nitrogen generation, compression equipment and surface control systems. The fleet of 14 underbalanced drilling packages in this division at the end of 2002 was increased by an additional four packages that were constructed during 2003, bringing the fleet size up to 18 packages at December 31, 2003. The increased fleet size not only reflects the growing demand for this emerging new technology, but also reflects the Company's ability to provide excellent customer service.

Oilfield Equipment Rental

Chandel Equipment Rentals was originally established to support the Company's Canadian drilling operations. However, in January 2003 this division acquired all of the oilfield rental assets of Canadian Select Energy West, significantly increasing the asset base and scope of operations for this division. This division offers an inventory of drill strings, blow-out preventers, loaders, tanks, pumps and rig matting to its customers in western Canada.

Well Servicing

As the third largest well servicing contractor in Canada, Rockwell Servicing Partnership, through its fleet of well servicing rigs and coiled tubing units, offers all facets of well servicing, including completions, abandonments, production workovers and bottom-hole pump changes. The Company's well servicing fleet increased from 105 marketed well servicing rigs and coiled tubing units at December 31, 2002 to 116 marketed service rigs and coiled tubing units at December 31, 2003. In December 2003, this division added 11 well servicing rigs through the

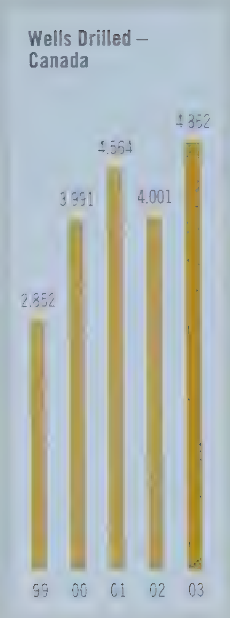
TRI-CITY RIG 24 CREW MEMEBES
Louis Henley, Tri-City Drilling

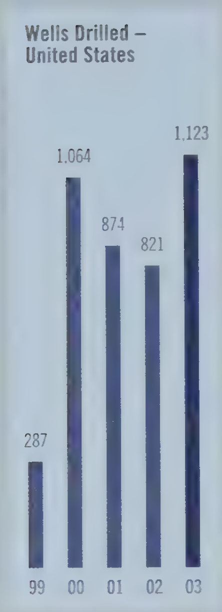
ODE RIG 43 CREW MEMBERS
Geoff Pickford, ODE

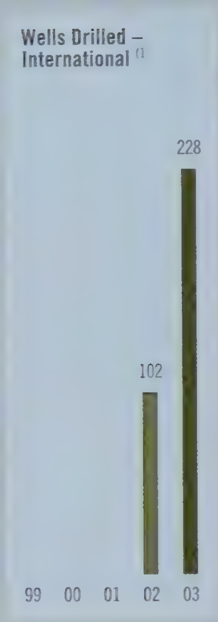
ENSIGN RIG 19 ROUGHNECK AT WORK
Tom Fellows, Ensign Drilling

ENSIGN RIG 94 CREW MEMBERS
Ensign Archives

CAZA RIG 42
Jim Bacek, Opsco







[1] Wells drilled by the Company's international oilfied services division include wells drilled from July 11, 2002, the date of acquisition of this division by the Company.

acquisition of the assets of Crown Well Servicing Ltd. ("Crown"), a private oilfield service contractor based out of Edmonton, Alberta. During 2003, Rockwell continued its upgrading program converting an additional 17 service rigs to "free-standing", a feature preferred by many of the Company's customers. With the conversion of these 17 well servicing rigs, Rockwell now operates a total of 44 free standing well servicing rigs at December 31, 2003. In addition to the new location in Edmonton, Alberta, resulting from the Crown acquisition, this division has operating stations at Ardmore, Brooks, Grande Prairie, Red Deer and Lloydminster, Alberta, and in Estevan, Saskatchewan.

Manufacturing and Production Services

Manufacturing and production services are provided through the Opsco Energy Industries division headquartered in Calgary, Alberta. In addition to being a leading provider of both slick-line and braided wireline services, production well testing and well optimization services, Opsco also manufactures customized oil and natural gas production equipment.

Manufacturing

Opsco's manufacturing operations are largely focused on the natural gas sector, providing separation and dehydration equipment, line heaters, metering skids, production satellites and patented automatic pig launchers to its customers. The largest growth area for the Company's manufacturing operations is in the construction of equipment to facilitate the production of high-pressure sour natural gas.

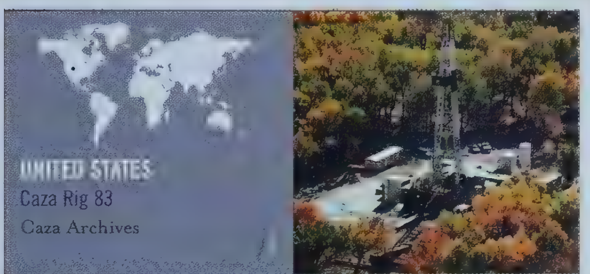
During 2003, the Company purchased eight acres of land in southeast Calgary on which a new 40,000 square foot manufacturing facility will be constructed and ready for use by late 2004.

Production Testing

Opsco provides production testing services including on-site operations, data reporting and well test analysis. As with Opsco's manufacturing operations, the production testing division continues to target the high pressure, high concentration, sour natural gas testing market as its growth area. During 2003, this division started providing production testing services in the Rocky Mountain region of the United States through Opsco Energy Industries (USA) Ltd.

Wireline Services

Opsco's fleet of 35 wireline units and auxiliary equipment is used to install and retrieve downhole pressure and temperature instrumentation as well as operate subsurface completion and production tools. Activity levels for 2003 were strong due to the high level of production related activity in western Canada throughout the year. Demand for wireline services included services associated with the development of coalbed methane production, a new and potentially strong market for the Opsco wireline division.



UNITED STATES
Caza Rig 83
Caza Archives

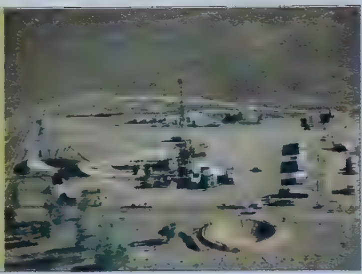
UNITED STATES OILFIELD SERVICES

Revenue for the United States oilfield services divisions increased 35% from $159.2 million in 2002 to $215.2 million in 2003. The major reason for the increase was the increased demand for contract drilling services in the Company's core Rocky Mountain region market.

The Ensign Group's United States operations are managed through two subsidiaries, Caza Drilling Inc. ("Caza Rockies") and Caza Drilling (California) Inc. ("Caza California"). One of the most active areas in the United States for oil and natural gas drilling in 2003 was the Rocky Mountain region. Based in Denver, Colorado, Caza Rockies is ideally located to capitalize on the increase in oil and natural gas drilling in the area. During the latter part of 2003, one self-moving drilling rig was transferred from the Canadian rig fleet into the Caza Rockies operation, bringing the total number of marketed drilling rigs in this division to 41. At the present time, efforts are being made to transfer an additional three deeper drilling rigs into this division from the Canadian fleet. The addition of this equipment into the Caza Rockies rig fleet provides the Ensign Group with increased access to a very active and growing market segment.

Caza California, located in Bakersfield, California, operates primarily in the San Joaquin and Los Angeles basins of California and has recently started to provide drilling services in the Sacramento basin. This division's marketed rig fleet remained constant at 12 drilling rigs during 2003. While this division was not as active as Caza Rockies, there are indications that activity levels are increasing in areas serviced by this division. As such, 2004 should see improved equipment utilization for Caza California.

ODE Rig 20.
Queensland, Australia
ODE Archives



INTERNATIONAL OILFIELD SERVICES

Revenues for the Company's international oilfield services division increased from $72.4 million for the six months ended December 31, 2002 to $139.8 million for the 12 months ended December 31, 2003.

The Ensign Group expanded into the international oilfield services market in July of 2002 with the acquisition of OD&E, headquartered in Sydney, Australia. During 2003, political instability in Indonesia combined with the early completion of a drilling program, resulted in one of this division's major customers terminating early a long-term contract for drilling services. The Company received approximately $9.2 million (USD$6.6 million) in early termination fees regarding this item and redeployment of the equipment previously utilized in the region continues.

During the first quarter of 2003, this division purchased a third party's interest in a partnership previously established by OD&E to conduct business in Argentina. OD&E now owns and controls 100% of its business operations in South America. In addition to its investment in Argentina, OD&E, through the Company's engineering group in Canada, constructed an ADR™ rigged up for international operations. This new drilling rig commenced operations in Gabon for a major customer during the first quarter of 2004.

FINANCIAL RESULTS

Net Income and Cash Flow

($ millions, except per share data)	2003	2002	Change	Percent
Net income	$ 99.0	$ 51.7	$ 47.3	91
Net income per share				
Basic	$ 1.32	$ 0.70	$ 0.62	89
Diluted	$ 1.29	$ 0.69	$ 0.60	87
Cash flow (1)	$ 173.4	$ 100.1	$ 73.3	73
Cash flow per share (1)				
Basic	$ 2.31	$ 1.35	$ 0.96	71
Diluted	$ 2.26	$ 1.33	$ 0.93	70

(1) Management believes that cash flow and cash flow per share are measures that provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes these measures to assess the Company's ability to finance operating activities and capital expenditures. Cash flow and cash flow per share are not measures that have any standardized meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similar measures presented by other companies.

Net income for 2003 increased 91% to $99.0 million compared with $51.7 million for 2002. On a per share basis, net income increased 89% to $1.32 per share in 2003 compared to $0.70 per share for the prior year. The increases in net income and net income per share reflect higher activity levels in North America, the inclusion of the results of OD&E for a full 12 months in 2003 compared to just six months in 2002 and a $13.1 million benefit associated with new income tax legislation in Australia.

Similarly, cash flow from operations was $173.4 million in 2003 compared with $100.1 million in 2002, an increase of 73%. Cash flow per share was $2.31, up 71% from $1.35 per share in 2002.

Revenue and Oilfield Services Expenses

($ millions)	2003	2002	Change	Percent
Revenue	$ 929.0	$ 651.8	$ 277.2	43
Oilfield services expenses	(683.9)	(497.6)	186.3	37
	$ 245.1	$ 154.2	$ 90.9	59
Gross margin	26.4%	23.7%		

For 2003, the Ensign Group generated record revenues of $929.0 million, a 43% increase over the $651.8 million generated in 2002. Higher equipment utilization rates in North America during 2003 and a full year of international operations are the most significant reasons for the improvement in top-line performance. Utilization in the Company's Canadian drilling divisions improved 13 percentage points from 37% in 2002 to 50% in 2003. Utilization in the Company's well servicing division increased six percentage points to 47% in 2003. In the United States, utilization increased 33 percentage points, reaching 70%. The increase in oilfield services activity as indicated by drilling and well servicing utilization statistics positively impacted other services provided by the Company. Revenue from the Company's Opsco division increased 23% on a year-over-year basis and revenues from the Enhanced Drilling and Chandel Rental division increased by 107%, reflecting not only the increase in industry activity but also an expanded asset base from the previous year. In addition to the significant impact increased activity levels had on the Company's top line, the inclusion of the Company's international operations for a full 12 months in 2003 contributed $67.4 million to the overall increase in revenue on a year-over-year basis. Higher equipment utilization not only provides more stability over revenue rates, but also facilitates a more efficient operation of the business. For fiscal 2003, the Ensign Group improved its gross margin to 26.4%, up 11% from the gross margin of 23.7% recorded in the previous year.

Depreciation Expense

($ millions)	2003	2002	Change	Percent
Depreciation	$ 44.2	$ 39.2	$ 5.0	13

Effective January 1, 2003, the Company re-evaluated the useful life estimates for its drilling and well servicing rigs and coiled tubing units. As a consequence of this re-evaluation, drilling rigs are now depreciated over 3,650 operating days and well servicing rigs and coiled tubing units are depreciated over 24,000 operating hours. Prior to January 1, 2003, the Company was depreciating these assets on a straight-line basis over 15 years. This change not only refines the useful life estimates associated with the Company's drilling and well servicing

fleets, but also establishes a correlation between equipment utilization levels and depreciation expense, thus enhancing the matching of revenues and expenses. As this change constitutes a change in an accounting estimate, it has been applied prospectively from January 1, 2003.

Depreciation expense for 2003 increased 13% to $44.2 million, reflecting the inclusion of the OD&E results for a full 12 months as well as the impact of the change in accounting estimate noted above.

General and Administrative Expense

($ millions)	2003	2002	Change	Percent
General and administrative	$ 30.3	$ 25.4	$ 4.9	19

General and administrative expense increased $4.9 million in 2003 to $30.3 million. The increase in general and administrative expense from the prior year reflects the inclusion of OD&E for a full year in 2003 as well as additional overhead incurred to support the Company's expanded asset base. As a percentage of revenue, general and administrative expense decreased from 3.9% for 2002 to 3.3% for 2003.

Stock-based Compensation Expense

($ millions)	2003	2002	Change	Percent
Stock-based compensation	$ 32.8	$ 5.0	$ 27.8	556

Stock-based compensation expense represents charges to income in respect of the Company's stock appreciation rights and stock option programs. During the second quarter of 2003, the Company's Board of Directors amended the provisions of stock options granted pursuant to its existing stock option plan whereby option holders can now elect to receive either a cash payment from the Company or common shares on the exercise of stock options. The amendment to the plan balances the need for a long-term compensation program to retain employees and the concerns of shareholders regarding the dilution caused by stock options. In addition, the cash payment feature is easier to administer for exercises by option holders and payments made by the Company are deductible for income tax purposes.

As a result of this amendment, both of the Company's stock-based compensation programs are now accounted for using the fair value method. Under this method, a liability is accrued over the vesting period of stock options and stock appreciation rights and is adjusted on a quarterly basis for the effect of changes in the underlying price of the Company's common shares through either charges or credits to stock-based compensation expense. The significant increase in stock-based compensation expense from 2002 reflects the initial accrual recorded on the conversion to the fair value method when accounting for stock options, subsequent adjustments in respect of the underlying price of the Company's common shares and actual cash payments made in respect of stock option exercises.

Interest Expense

($ millions)	2003	2002	Change	Percent
Interest on long-term debt	$ 0.2	$ 0.3	$ (0.1)	(33)
Interest – other	4.3	1.6	2.7	169
	$ 4.5	$ 1.9	$ 2.6	137

Interest expense on long-term debt of $0.2 million relates entirely to the long-term debt assumed as part of the Company's acquisition of OD&E in July of 2002. During the fourth quarter of 2003, the remainder of this debt was repaid and, as a result, the Ensign Group is long-term debt free at December 31, 2003.

Other interest expense is comprised of interest incurred on the Company's operating lines of credit. Other interest expense of $4.3 million for 2003 was $2.7 million higher than the $1.6 million of other interest expense in 2002. The increase from the prior year reflects the Company's use of its short-term facilities to finance the 2002 acquisition of OD&E.

Income Taxes

($ millions)	2003	2002	Change	Percent
Current income tax	$ 29.4	$ 21.8	$ 7.6	35
Future income tax	4.9	9.2	(4.3)	(47)
	$ 34.3	$ 31.0	$ 3.3	11
Effective rate (%)	25.7	37.4		

Income tax expense for 2003 was $34.3 million, 11% higher than the $31.0 million recorded for the year ended December 31, 2002. Current income tax expense increased $7.6 million, or 35%, and reflects the increase in profitability experienced by the Ensign Group in 2003. Future income tax expense decreased 47% to $4.9 million for the year ended December 31, 2003. The significant decrease in future income tax expense is reflected in the decrease in the Company's effective income tax rate for 2003 compared to 2002. For 2003, the effective income tax rate fell 11.7 percentage points to 25.7%. This reduction is a result of recently enacted legislation by the Australian government to introduce a new "Tax Consolidation Regime." As a result of this legislation, the Company's international operations will be entitled to additional tax depreciation. The Company's Australian corporate structure satisfies the Australian requirements relating to this new legislation and, as a result, the Company has included the tax benefit associated with an additional $43.8 million (AUD $45 million) of tax basis related to its 2002 acquisition of OD&E. This equates to a one-time reduction of future income tax of $13.3 million for the 2003 fiscal year.

Dividends

($ millions)	2003	2002	Change	Percent
Dividends	$ 17.6	$ 15.2	$ 2.4	16

The Ensign Group declared dividends totaling $17.6 million ($0.235 per share) in 2003 compared to $15.2 million ($0.205 per share) for the year ended December 31, 2002. The increase in dividends includes the 27% increase in the Company's regular quarterly dividend from $0.055 per share to $0.07 per share in the fourth quarter of 2003. A quarterly dividend of $5.3 million ($0.07 per share) was declared on March 5, 2004 for payment on April 1, 2004 to all shareholders of record as of March 19, 2004.

FINANCIAL CONDITION AND LIQUIDITY

Working Capital and Cash Provided by Operations

During 2003, the Company generated cash flow from operations of $173.4 million ($2.31 per share), a 73% increase from the $100.1 million ($1.35 per share) of cash flow generated in 2002. The $73.3 million increase in cash flow reflects the increase in industry activity and the corresponding impact of this increase on pre-tax income. In addition, included in 2003 pre-tax income is $25.3 million of non-cash stock-based compensation expense. No such corresponding amount existed in 2002.

The Company had a working capital deficit of $19.7 million at December 31, 2003, an improvement of $13.9 million over the working capital deficit of $33.6 million at December 31, 2002. The improvement in the Company's working capital position reflects the significant increase in year-end accounts receivable, net of accounts payable, compared to the previous year. Accounts receivable was $61.5 million higher at December 31, 2003 than at December 31, 2002, while accounts payable was $44.5 million higher at December 31, 2003 compared to December 31, 2002.

Contractual Obligations

($ thousands)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Bank debt, including operating line	121,911	121,911	–	–	–
Office leases	5,108	1,806	1,642	748	912
Total	127,019	123,717	1,642	748	912

Investing Activities

During the fourth quarter of 2003, the Company spent $25.4 million, net of cash, to acquire all of the issued and outstanding shares of Big Sky Drilling and all of the issued and outstanding shares of Hi-Calibre Industries Ltd. ("Hi-Calibre"). Big Sky Drilling is located in Oxbow, Saskatchewan, and its fleet of eight drilling rigs provides contract drilling services in southeastern Saskatchewan. Hi-Calibre is located in Brooks, Alberta and provides commercial welding services to the western Canadian oilfield services industry. In 2002, the Company spent $117.6 million to complete its acquisition of all of the issued and outstanding shares of OD&E.

For the year ended December 31, 2003, the Ensign Group had net capital additions of $101.5 million, an increase of $38.5 million over the $63.0 million spent in 2002. For 2003, major capital expenditures include costs associated with the Company's continuing program to rebuild and upgrade its Canadian drilling and well servicing fleets, the construction of a new ADR™ for use by OD&E in Gabon, the construction of a new drilling rig for use in a joint venture with the Fort Nelson First Nations and the acquisition of the 11 well servicing rigs and related assets of Crown. Additionally, the Company constructed four new underbalanced drilling packages, purchased the rental assets of Canada Select Energy West and acquired property for the construction of a new manufacturing facility in Calgary, Alberta. The Company also purchased the interest of a third party in a partnership previously established with OD&E to conduct business in Argentina.

Capital expenditures in 2002 relate to the rebuilding and upgrading of several drilling and well servicing rigs, the acquisition of three drilling rigs in the United States, the construction of a new rig under contract with a significant customer and the construction of two new underbalanced drilling packages. Additional significant capital expenditures in 2002 related to costs for new top drives and expenditures related to a new operations facility in Nisku, Alberta.

Financing Activities

During 2003, the Ensign Group repaid the remaining $12.8 of long-term debt assumed as part of the 2002 acquisition of OD&E. The Company utilized an additional $29.7 million of its short-term operating lines in the fourth quarter of 2003. This increase reflects the financing needed to support the increase in year-over-year fourth quarter activity as well as the Company's financing needs associated with its fourth quarter acquisitions of Big Sky Drilling and the assets of Crown. At December 31, 2003, the Company had outstanding operating lines of credit of $121.9 million compared to $116.8 million outstanding at December 31, 2002. During 2003, the Company received $5.0 million on the exercise of employee stock options and declared $17.6 million in dividends.

The Ensign Group does not anticipate any significant need for new bank financing during 2004 and expects to maintain its zero long-term debt balance. All capital expenditures are expected to be funded from existing cash and short-term operating facilities. In keeping with the Company's core strength to follow an opportunistic growth strategy, the Ensign Group will continue to look for acquisitions that will provide the Company with future growth. As with the funding of the Company's capital expenditure program, acquisitions have historically been funded through the use of existing cash and short-term operating facilities. At the present time, the Ensign Group does not have any major investment obligations.

SUMMARY QUARTERLY RESULTS

Quarterly Financial Information

	2003				2002			
($ millions, except per share data)	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue	$280.6	$ 162.2	$ 221.3	$264.8	$201.0	$ 98.5	$ 166.9	$ 185.5
Operating earnings [1]	$ 62.8	$ 12.9	$ 33.1	$ 61.8	$ 49.0	$ 3.4	$ 14.7	$ 22.6
Net income	$ 38.9	$ (6.7)	$ 19.2	$ 47.7	$ 29.2	$ 3.1	$ 8.6	$ 10.9
Net income per share								
Basic	$ 0.52	$(0.09)	$ 0.26	$ 0.64	$ 0.40	$ 0.04	$ 0.12	$ 0.15
Diluted	$ 0.51	$(0.09)	$ 0.25	$ 0.62	$ 0.39	$ 0.04	$ 0.11	$ 0.15
Cash flow [2]	$ 61.9	$ 16.4	$ 36.0	$ 59.1	$ 45.2	$ 10.4	$ 23.2	$ 21.3
Cash flow per share [2]								
Basic	$ 0.83	$ 0.22	$ 0.48	$ 0.79	$ 0.61	$ 0.14	$ 0.31	$ 0.29
Diluted	$ 0.81	$ 0.21	$ 0.47	$ 0.77	$ 0.60	$ 0.14	$ 0.31	$ 0.28

(1) Operating earnings is defined as "Income before income taxes, interest expense and stock-based compensation expense". Management believes that in addition to net income, operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed, how the results are taxed in various jurisdictions or how the results are impacted by the new accounting standards associated with the Company's stock-based compensation plans. Operating earnings as defined above is not a recognized measure under Canadian generally accepted accounting principles and accordingly may not be comparable to measures used by other companies.

(2) For the purpose of the cash flow per share calculation, cash flow is defined as "Cash provided by operating activities before the change in non-cash working capital".

The Ensign Group's quarterly results reflect the significance North American oilfield services activity has on financial performance as well as the seasonal nature associated with this activity. Canadian operating and financial results are typically strongest in the fourth and first quarters, when exploration and production companies, the Company's customers, conduct the majority of their drilling programs. Financial results along with utilization rates are generally softer in the second and third quarters during the weather induced spring "break up" period. The heightened activity levels throughout 2003 resulted in improved revenues and operating earnings in each quarter compared to the prior year.

The Ensign Group's international operations are not subject to the seasonal swings in activity characterized by North American operations. As the contributions from the Company's international operations increase, the effect of seasonal swings in North American activity will be somewhat mitigated. In addition, the Ensign Group continually looks for ways to reduce the impact of the seasonal nature of the North American market on its financial results. These efforts include continually improving the quality and mobility of its equipment fleet, developing technology that allows its customers added flexibility regarding the timing of their exploration and development programs, and providing expertise and assistance in developing and planning drilling programs.

Fourth Quarter Analysis

The Ensign Group had revenues of $264.8 million for the three months ended December 31, 2003, an increase of 43% over the $185.5 million in revenue generated during the fourth quarter of 2002. Net income for the three months ended December 31, 2003, was $47.7 million ($0.64 per share) compared to $10.9 million ($0.15 per share) for the fourth quarter of 2002. Cash flow from the fourth quarter of 2003 was $59.1 million ($0.79 per share) compared to $21.3 million ($0.29 per share) for the three months ended December 31, 2002. The increase in fourth quarter financial results is due to improved oilfield services activity levels in North America compared to the prior year, the collection of an early termination fee of $9.2 million associated with the cancellation of an international drilling contract, and a one-time after-tax benefit of $13.3 million resulting from the enactment of a new consolidated tax regime in Australia.

During the fourth quarter of 2003, Ensign completed three acquisitions in Canada, adding to the drilling fleet with eight rigs, adding to the well servicing fleet with 11 rigs and acquiring a commercial welding service provider in southern Alberta. These acquisitions adhere to Ensign's stated strategy of pursuing opportunistic acquisitions. These acquisitions were financed with available cash and short-term borrowing facilities allowing the Company to end the year with no long-term debt.

CRITICAL ACCOUNTING ESTIMATES

This Management's Discussion and Analysis is based on the Company's consolidated financial statements that have been prepared in accordance with Canadian generally accepted accounting principles. The Company's significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgements be made in regard to the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management judgement. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the operating environment in which the Company operates changes.

The accounting estimate that has the greatest impact on the Company's financial results is depreciation. Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change impacting the operation of the Company's property and equipment.

RISKS AND UNCERTAINTIES

The most significant factors affecting Ensign Resource Service Group Inc.'s business are oil and natural gas commodity prices. Commodity price levels affect energy exploration and production companies' capital programs, which in turn, affects the demand for the Ensign Group's services. Typically, the exploration and production sector establishes capital spending budgets for the upcoming year late in the current year. The high level of industry activity in 2003 is largely a reflection of the strength of oil and natural gas commodity prices in 2002. With year end 2003 prices remaining relatively high for both crude oil and natural gas, it is expected that capital spending programs will continue at high levels and correspond to an active year for oilfield services throughout 2004.

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian and United States regulatory regimes are stable and, in general, are supportive of energy industry activity. Various regions around the world are subject to regulations of their jurisdictions and the support to the oil and natural gas industry varies. In general, long-term service contracts are negotiated for drilling services in international areas and these contracts often include early termination clauses and other clauses for the contractor's protection.

Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States dollar and Australian dollar denominated activity to Canadian dollars. The Canada/United States dollar exchange rate at December 31, 2003 was 1.2965 compared to 1.5776 at December 31, 2002 and the Canada/Australian exchange rate at December 31, 2003 was 0.9731 compared to 0.889 at December 31, 2002. The Company's United States and international operations are considered self-sustaining for foreign currency translation purposes.

Ensign carries adequate insurance to cover the risk to its equipment and people and the level of insurance is reviewed for adequacy each year.

OUTLOOK

The outlook for all areas of the Ensign Group is excellent, with continued strong oil and natural gas commodity prices favourably influencing capital programs of the exploration and production sector. Ensign's positive outlook for the year is well supported by the number of rigs contracted through the first quarter of 2004 along with bookings for later in the year. These indicators suggest that 2004 will be a year when utilization levels should be at least as strong as in 2003. This high utilization should translate to improved levels of financial performance.

Ensign's objectives for 2004 are to continue its accelerated training and safety programs throughout the organization, to strengthen Ensign's position internationally and to continue searching for strategic opportunities to grow the Company. The pursuit of these objectives will further enhance shareholder value.

Corporate Governance

The Company's Board of Directors exercises overall responsibility for the management and supervision of the affairs of the Company. This includes the appointment of the Company's President, approval of compensation for senior executives and monitoring of the President's and management's performance.

The Board of Directors has established procedures that prescribe the requirements governing the approval of transactions carried out in the course of the Company's operations, the delegation of authority and the execution of documents on behalf of the Company.

The Board of Directors reviews and approves the Company's annual operating budget, ensuring market conditions, as well as strategic thinking, is properly reflected in the short-term goals of each of the Company's operating divisions.

The Board of Directors is composed of nine directors. Mr. N. Murray Edwards and Mr. Selby Porter, the Ensign Group's Chairman and President respectively, are the only Board members who are also members of the Company's management.

The Board of Directors annually appoints members to Board committees in the following three areas: Audit, Corporate Governance and Nominations, and Compensation. All of these committees are comprised entirely of non-management unrelated directors.

AUDIT COMMITTEE

The Audit Committee reviews, reports and provides recommendations to the Board of Directors on the annual and interim financial statements and on the integrity of the financial reporting of the Company. In addition, the adequacy of the Company's processes for identifying and managing financial risk, the adequacy of the Company's internal control system, the appointment, terms of engagement, provision of non-audit services and proposed fees of the Company's independent external auditor are also areas in which this committee reviews, reports and provides recommendations to the Board of Directors.

CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

The Corporate Governance and Nominations Committee is responsible for reviewing, reporting and providing recommendations for improvement to the Board of Directors with respect to all aspects of corporate governance. The Corporate Governance and Nominations Committee, on a periodic basis, assesses the effectiveness of the Board of Directors as a whole, the committees of the Board and the contributions of individual members. This committee also identifies and recommends to the Board individuals qualified to become Directors of the Company.

COMPENSATION COMMITTEE

The Compensation Committee reviews and approves compensation of the Company's senior management. In addition, this committee is responsible for reviewing succession plans and the compensation policy for all other employees.

Management's Report

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles.

The Audit Committee, which is comprised of outside Directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.

Selby Porter
President
March 5, 2004

Glenn Dagenais
Vice President Finance and Chief Financial Officer

Auditors' Report

To The Shareholders of Ensign Resource Service Group Inc.

We have audited the consolidated balance sheets of Ensign Resource Service Group Inc. as at December 31, 2003 and 2002 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
March 5, 2004

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)	2003	2002
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,664	$ 22,860
Accounts receivable	226,662	165,154
Inventory and other	38,988	36,784
	287,314	224,798
Property and equipment (note 3)	740,978	643,004
	$ 1,028,292	$ 867,802
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 174,524	$ 130,030
Operating line of credit (note 4)	121,911	116,802
Dividends payable	5,261	4,098
Income taxes payable	5,329	2,341
Current portion of long-term debt (note 4)	–	5,125
	307,025	258,396
Long-term debt – net of current portion (note 4)	–	7,689
Deferred obligation (note 5)	13,613	–
Future income taxes (note 6)	143,995	126,241
	464,633	392,326
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	122,060	115,053
Cumulative translation adjustment	8,388	8,606
Retained earnings	433,211	351,817
	563,659	475,476
	$ 1,028,292	$ 867,802

Contingencies (note 11)

Approved by the Board of Directors

Director

Director

Consolidated Statements of Income and Retained Earnings

For the years ended December 31, 2003 and 2002 (in thousands of dollars – except per share data)	2003	2002
REVENUE		
Oilfield services	$ 928,960	$ 651,768
EXPENSES		
Oilfield services	683,878	497,575
Depreciation	44,209	39,170
General and administrative	30,295	25,363
Stock-based Compensation	32,755	5,042
Interest on long-term debt	211	288
Interest and other	4,305	1,635
	795,653	569,073
Income before income taxes	133,307	82,695
Income taxes (note 6)		
Current	29,416	21,801
Future	4,861	9,151
	34,277	30,952
Net income for the year	99,030	51,743
Retained earnings – beginning of year	351,817	316,996
Adjustment relating to transitional provisions on adoption of the new Stock-based Compensation accounting standard (note 7)	–	(1,687)
Retained earnings – beginning of the year restated	351,817	315,309
Dividends	(17,636)	(15,235)
Retained earnings – end of year	$ 433,211	$ 351,817
Net income per share (note 7)		
Basic	$ 1.32	$ 0.70
Diluted	$ 1.29	$ 0.69

Consolidated Statements of Cash Flows

For the years ended December 31, 2003 and 2002 (in thousands of dollars)	2003	2002
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Income for the year	$ 99,030	$ 51,743
Items not affecting cash		
Depreciation	44,209	39,170
Stock-based compensation	25,290	–
Future income taxes	4,861	9,151
Cash provided by operating activities before the change in non-cash working capital	173,390	100,064
Decrease in non-cash working capital	(26,760)	(10,755)
	146,630	89,309
INVESTING ACTIVITIES		
Acquisitions (note 8)	(25,386)	(117,584)
Net purchase of property and equipment	(101,504)	(63,040)
	(126,890)	(180,624)
FINANCING ACTIVITIES		
Net decrease in long-term debt	(12,814)	(16,819)
Net increase in operating line of credit	4,466	91,623
Issue of capital stock	5,048	5,333
Dividends	(17,636)	(15,235)
	(20,936)	64,902
Decrease in cash during the year	(1,196)	(26,413)
Cash – beginning of year	22,860	49,273
Cash – end of year	$ 21,664	$ 22,860
Interest paid during the year	$ 5,280	$ 2,066
Income taxes paid during the year	$ 25,244	$ 35,045

Notes to the Consolidated Financial Statements

For the years ended December 31, 2003 and 2002
(in thousands of dollars – except per share data)

1 BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Ensign Resource Service Group Inc. and all of its subsidiaries and partnerships. The companies and partnerships carry on the business of providing oilfield services to the oil and natural gas industry in Canada, the United States and Internationally.

2 SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term market investments with maturities of three months or less.

Inventory

Inventory, comprised of spare rig parts and equipment, is recorded at the lower of cost and replacement cost.

Property and equipment

Property and equipment is recorded at cost. Depreciation is based on the estimated useful lives of the assets as follows:

Rigs and equipment		
Drilling rigs and related equipment	3,650 operating days	Unit-of-production (20% residual)
Well servicing rigs/coiled tubing units	24,000 operating hours	Unit-of-production (20% residual)
Heavy oilfield service equipment	15 years	Straight-line (20% residual)
Buildings	20 years	Straight-line
Automotive equipment	3 years	Straight-line (15% residual)
Office furniture and shop equipment	5 years	Straight-line

The Company re-evaluated the useful life estimates related to its drilling rigs and related drilling equipment as well as its well servicing rigs and coiled tubing units. Effective January 1, 2003, the Company began to depreciate its drilling rigs and related drilling equipment over 3,650 operating days and its well servicing rigs and coiled tubing units over 24,000 operating hours. Prior to January 1, 2003, the Company depreciated its drilling and well servicing rigs and related equipment on a straight-line basis over 15 years. This change constitutes a change in an accounting estimate and accordingly has been applied prospectively from January 1, 2003.

Income from contracts

Income from contracts is recorded using the percentage of completion method. Losses are provided for in full when first determined.

Foreign currency translation

Financial statements of the Company's self-sustaining United States and International subsidiaries are translated to Canadian dollars using the exchange rate in effect at the balance sheet date for all assets and liabilities, and at average rates of exchange during the period for revenues and expenses.

In the Company's international subsidiary, the Australian dollar equivalents of amounts payable and receivable in currencies other than the Australian dollar may be hedged. The Company does not enter into derivative contracts for speculative or other trading purposes. Note 10 provides a description of the financial instruments utilized by the Company's international subsidiary to reduce exposure to market risks from changes in foreign exchange rates.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Stock-based compensation plans

The Company has an employee stock option plan and a stock appreciation rights plan. Both of these stock-based compensation plans are accounted for using the fair value method. Under this method, the Company accrues a liability for stock options and stock appreciation rights based on the excess of the market price of the Company's common shares over the grant price. The accrued liability is adjusted on a quarterly basis for the effect of exercises of stock options and stock appreciation rights as well as the effect of price changes in the underlying price of the Company's common shares through charges or credits to stock-based compensation expense. Any consideration received on the exercise of stock options is credited to capital stock.

Measurement uncertainty

The preparation of the Company's consolidated financial statements in conformity with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods presented. Actual results could differ from the estimates.

3 PROPERTY AND EQUIPMENT

		2003	
	Cost	Accumulated Depreciation	Net Book Value
Rigs and related equipment	$ 934,739	$ 217,326	$ 717,413
Automotive and other equipment	30,297	17,755	12,542
Land and buildings	12,988	1,965	11,023
	$ 978,024	$ 237,046	$ 740,978

		2002	
	Cost	Accumulated Depreciation	Net Book Value
Rigs and related equipment	$ 816,000	$ 193,302	$ 622,698
Automotive and other equipment	30,405	18,361	12,044
Land and buildings	9,827	1,565	8,262
	$ 856,232	$ 213,228	$ 643,004

4 BANK INDEBTEDNESS

		2003		2002
Bank term loan, at LIBOR plus 0.80% (2002 – USD $8,066)	$	–	$	12,814
Current portion (2002 – USD $3,226)		–		(5,125)
	$	–	$	7,689

The Company had utilized short-term credit facilities as at December 31, 2003 and 2002 as follows:

			2003		2002
Canada	Operating lines of credit at the bank prime interest rate or bankers' acceptance rate/LIBOR plus 0.85% stamping fee. Available $117,000 (2002 – $67,000).	$	105,478	$	40,135
	Short-term bridge financing facility at bankers' acceptance rate plus 1.0% stamping fee. Available nil (2002 – $50,000).		–		50,000
Australia	Operating line of credit at an average effective interest rate of 4.14%. Available AUD $30,300 (2002 – AUD $35,000).		16,433		26,667
		$	121,911	$	116,802

The United States dollar bank term loan existing at December 31, 2002 was unsecured. Collateral for the Canadian dollar operating line of credit consists of a general security agreement. There is no collateral for the Australian dollar operating line of credit.

5 DEFERRED OBLIGATION

During 2003, the Company's Board of Directors approved an amendment to the Company's stock option plan that provides all option holders with the right to elect to receive either common shares or a direct cash payment in exchange for stock options exercised. As a result of this amendment, the Company has accrued the following liability as at December 31, 2003:

		2003
Deferred obligation – future exercises of stock options	$	23,331
Less: current portion		(9,718)
	$	13,613

The current portion of the deferred obligation represents the portion of the stock-based compensation liability related to stock options that are vested at December 31, 2003. The current portion of $9,718 has been included in accounts payable at December 31, 2003. The non-current portion represents the portion of the total stock-based compensation liability related to non-vested stock options at December 31, 2003.

6 INCOME TAXES

The provision for future income taxes arises from temporary differences in the recognition of revenues and expenses for income tax and accounting purposes. The temporary differences comprising the future income tax liability as at December 31, 2003 and 2002 are as follows:

	2003	2002
Difference between income tax and accounting depreciation of property and equipment	$ 391,430	$ 375,987
Non-capital tax losses	(29,000)	(32,214)
Capital losses	(73,462)	(67,316)
Partnership timing differences	50,686	24,477
Other	(21,196)	(20,793)
	318,459	280,111
Valuation allowance	93,560	88,241
	$ 412,019	$ 368,352
Future income taxes at expected tax rate	$ 143,995	$ 126,241

The valuation allowance is comprised of $20,098 (2002 – $20,925) of non-capital losses and $73,462 (2002 – $67,316) of capital losses. Of the $29,000 of non-capital losses, $26,345 has no expiry. Of the remaining $2,655, $2,292 begin to expire commencing in 2019 and $363 expire at varying times between 2007 and 2010. The capital losses of $73,462 do not expire.

The provision for income tax, including future income taxes, differs from the expected combined federal and provincial taxes as follows:

	2003	2002
Income before income taxes	$ 133,307	$ 82,695
Income tax rate	37.5%	40.0%
Expected income tax provision	49,990	33,078
Increase (decrease) resulting from:		
Australian tax consolidation regime	(13,276)	–
Rate reduction on future income	(2,650)	(1,211)
Lower effective tax rate on non-Canadian operations	(742)	(793)
Non-deductible expenses	238	148
Capital taxes	330	408
Other	387	(678)
	$ 34,277	$ 30,952
Effective tax rate	25.7%	37.4%

The Australian government has enacted legislation to introduce a new "Tax Consolidation Regime". As a result, the Company's international operations will be entitled to additional tax depreciation estimated to be $43.8 million (AUD $45 million).

7 CAPITAL STOCK

a) Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

b) Outstanding

	2003		2002	
	Number of Shares	Amount	Number of Shares	Amount
Common shares				
Balance – beginning of year	74,609,884	$ 115,053	73,821,506	$ 109,720
Issued under employee stock option plan	555,100	7,007	788,378	5,333
Balance – end of year	75,164,984	$ 122,060	74,609,884	$ 115,053

c) Options

The Company may grant options to its employees for up to 7,186,480 shares of common stock. The exercise price equals the market price of the Company's stock on the date of granting. Stock options granted vest evenly over a period of five years. A summary of the status of the Company's stock option plan as of December 31, 2003 and 2002, and the changes during the years ending on those dates is presented below:

	2003		2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of year	5,643,850	$ 12.34	3,881,227	$ 11.06
Granted	652,000	17.69	2,694,500	12.50
Exercised for shares	(555,100)	(9.09)	(788,378)	(6.77)
Exercised for cash	(444,500)	(12.05)	(48,000)	(11.11)
Forfeited	(121,950)	(12.87)	(95,499)	(11.69)
Outstanding – end of year	5,174,300	$ 13.37	5,643,850	$ 12.34
Exercisable at December 31	1,422,550	$ 13.01	1,079,950	$ 11.56

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$4.67	193,350	0.59	$4.67	79,200	$4.67
$9.83 to $12.50	3,156,000	1.57	$12.00	822,800	$11.66
$16.12 to $19.50	1,824,950	1.66	$16.67	520,550	$16.41
	5,174,300	1.54	$13.37	1,422,550	$13.01

d) Common share dividends

During 2003, the Company declared dividends of $17,636 (2002 – $15,235), being $0.235 per common share (2002 – $0.2050). A quarterly dividend of $5,276, being $0.07 per common share, was declared on March 5, 2004 for payment on April 1, 2004 to all shareholders of record as of March 19, 2004.

e) Net income per share

Net income per share has been calculated on the basis of the weighted average number of common shares outstanding for the year, which amounted to 75,004,859 shares (2002 – 74,197,152 shares). Diluted net income per share has been calculated, assuming the exercise of stock options, resulting in an average number of common shares of 76,565,601 shares (2002 – 75,254,775 shares).

f) Stock appreciation rights

The Company has a stock appreciation rights plan for certain senior executives. Compensation expense is an estimated amount, based on the market performance of the Company's common shares, and is therefore subject to measurement uncertainty. At December 31, 2003, 519,000 (2002 – 907,500) stock appreciation rights were outstanding, of which 378,000 (2002 – 529,000) were exercisable at an average price of $5.99 (2002 – $6.94) each. The Company has an accrued liability of $7,354 (2002 – $8,463) relating to the exercisable stock appreciation rights as at December 31, 2003.

Effective January 1, 2002, the Company retroactively adopted the provisions of the Canadian Institute of Chartered Accountants' new Stock-based Compensation accounting standard. On following the transitional provisions of this new accounting standard, the Company has recorded an adjustment to retained earnings at January 1, 2002 in the amount of $1,687, net of tax.

8 ACQUISITIONS

During 2003, the Company acquired all the issued and outstanding shares of Big Sky Drilling Ltd. and its affiliated companies (collectively referred to as "Big Sky Drilling") as well as all the issued and outstanding shares of Hi-Calibre Industries Ltd. ("Hi-Calibre"). Big Sky Drilling is based in Oxbow, Saskatchewan and provides contract drilling and oilfield equipment rental services to the Western Canada oilfield services industry. Hi-Calibre is based in Brooks, Alberta and primarily provides commercial welding services to the Western Canada oilfield services industry.

During 2002, the Company acquired all of the issued and outstanding shares of Australian Oil & Gas Corporation Limited ("AOG"). AOG is based in Sydney, Australia and provides contract drilling and well servicing in the international oilfield services arena through Oil Drilling & Exploration Limited.

The acquisitions have been accounted for by the purchase method with the results of operations of Big Sky Drilling and Hi-Calibre included in the consolidated financial statements from November 1, 2003, the date of the acquisitions. The results of operations of AOG have been included in the consolidated financial statements from July 11, 2002, the date of acquisition. The details of the acquisitions are as follows:

	2003	2002
Net assets acquired at assigned values		
Working capital, excluding cash overdraft of $3.9 million (2002 – $6.6 million of cash)	$ (1,975)	$ 14,595
Property and equipment	39,933	181,390
Operating line of credit	(643)	(24,694)
Long-term debt	–	(14,675)
Future income taxes	(11,929)	(29,104)
	$ 25,386	$ 127,512
Total cash consideration	$ 25,386	$ 127,512
Paid prior to 2002	–	(9,928)
Paid during the current period	$ 25,386	$ 117,584

9 SEGMENTED INFORMATION

The Company operates in three geographic segments within one industry segment. Oilfield services are provided in Canada, the United States and Internationally. The amounts related to each segment are as follows:

2003	Canadian Oilfield Services	United States Oilfield Services	International Oilfield Services	Total
Revenue	$ 573,950	$ 215,217	$ 139,794	$ 928,960
Property and equipment, net	$ 482,119	$ 54,153	$ 204,706	$ 740,978
Capital expenditures, net	$ 80,849	$ 7,093	$ 13,562	$ 101,504
Depreciation	$ 27,073	$ 3,827	$ 13,308	$ 44,209

2002	Canadian Oilfield Services	United States Oilfield Services	International Oilfield Services	Total
Revenue	$ 420,095	$ 159,242	$ 72,431	$ 651,768
Property and equipment, net	$ 392,904	$ 61,501	$ 188,599	$ 643,004
Capital expenditures, net	$ 46,539	$ 7,037	$ 9,464	$ 63,040
Depreciation	$ 29,305	$ 4,397	$ 5,468	$ 39,170

10 FINANCIAL INSTRUMENTS

The Company's financial instruments as at December 31, 2003 included cash, accounts receivable, accounts payable and accrued liabilities, and the operating line of credit. Due to the current nature of these items, carrying amounts are considered to approximate fair value.

The Company's international subsidiary enters into forward exchange contracts that obligate it to sell specified amounts of foreign currency at predetermined exchange rates. The value, average contract exchange rates and settlement periods of contracts outstanding at December 31, 2003 are:

3 months or less	Average exchange rate	Australian dollars
CDN $5,000	0.9774	$5,116

The unrealized foreign exchange loss relating to the above noted contract is $22 at December 31, 2003.

The Company is exposed to credit risk in relation to its accounts receivable at December 31, 2003. As substantially all of the Company's customers are relatively well-financed and established oil and natural gas companies, the level of credit risk is considered by management to be minimal.

11 CONTINGENCIES

The Company has indemnity guarantee facilities available in the amount of AUD $16,000 (2002 – AUD $20,000). At December 31, 2003, the Company has $11,300 (2002 – $11,987) outstanding in respect of these guarantee facilities.

The Company's Oman operating entity has received income tax assessments for the 1994, 1995 and 1996 financial years of $3.7 million (1.093 million Omani Rials). Management considers these tax assessments to be excessive and without merit under Oman law and international guidelines, and are therefore being contested. The Company's external counsel engaged to appeal the tax assessments is of the opinion that the Oman courts will overturn these tax assessments in due course. No amount has been accrued in the consolidated financial statements regarding this issue.

12 SUBSEQUENT EVENT

On January 30, 2004, the Company acquired all of the coalbed methane, oilsands coring and other specialized drilling assets of Layne Christensen Canada Limited, which in aggregate consisted of 23 specialty coring/drilling rigs. This acquisition was funded from existing working capital and available credit facilities.

13 PRIOR YEAR AMOUNTS

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Additional Information

THE COMPANY

Ensign Resource Service Group Inc. was incorporated on March 31, 1987 pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to a prospectus, on December 15, 1987, the Company became a reporting issuer in the Province of Alberta.

SUBSIDIARIES

The following table sets forth the principal operating subsidiaries of the Company, the percentage of shares owned, directly or indirectly, by the Company and the jurisdiction of incorporation or continuance of the subsidiaries as of March 31, 2004.

Name of Subsidiary	Jurisdiction of Incorporation or Continuance	Percentage of shares beneficially owned or controlled by the Company
Arctic Ensign Drilling Ltd.	Northwest Territories	49%
Big Sky Drilling Ltd.	Alberta	100%
Caza Drilling Inc.	Colorado	100%
Caza Drilling (California) Inc.	California	100%
Champion Drilling Inc.	Alberta	100%
Encore Coring & Drilling Inc.	Alberta	100%
Encore Coring & Drilling (USA) Inc.	Colorado	100%
Ensign Drilling Inc.	Alberta	100%
Gwich'in Ensign Oilfield Services Inc.	Northwest Territories	49%
Hi-Calibre Industries Ltd.	Alberta	100%
Oil Drilling & Exploration Limited	Australia	100%
Opsco Energy Industries Ltd.	Alberta	100%
Opsco Energy Industries (USA) Ltd.	Montana	100%
Rockwell Servicing Inc.	Alberta	100%
Tri-City Drilling Inc.	Alberta	100%

RECENT ACQUISITIONS

January 2001	Acquired in Canada: the slick-line wireline assets located in Grande Prairie, Alberta and Drayton Valley, Alberta from Baker Hughes Canada Company.
July 2002	Acquired Internationally: Australian Oil & Gas Corporation Limited and its wholly-owned subsidiary Oil Drilling & Exploration Limited, which operates 24 drilling rigs and five workover rigs in Australia, Southeast Asia, the Middle East, Northern and Southern Africa, South America and New Zealand.
November 2002	Acquired in Canada: the slick-line and braided wireline assets of Freedom Wireline Ltd., located in Whitecourt, Alberta.
December 2002	Acquired in the United States: three drilling rigs from Westport Oil and Gas Company, L.P.
January 2003	Acquired in Canada: the oilfield rental assets of Canadian Select Energy West, located in Whitecourt, Alberta.
November 2003	Acquired in Canada: Big Sky Drilling Ltd. (and its affiliated companies), which owns and operates eight drilling rigs based in Oxbow, Saskatchewan.
November 2003	Acquired in Canada: Hi-Calibre Industries Ltd., a commercial welding services provider based in Brooks, Alberta.
December 2003	Acquired in Canada: 11 well servicing rigs from Crown Well Servicing Ltd.
January 2004	Acquired in Canada and the United States: 23 specialty coring/drilling rigs from Layne Christensen Canada Limited.

10 Year Financial Information

($000s, except per share data and ratios)	2003	2002	2001
Revenue	928,960	651,768	767,669
Gross margin	245,082	153,443	221,319
Gross margin % of revenue	26.4%	23.6%	28.8%
Depreciation	44,209	39,170	29,184
Net income	99,030	51,743	100,828
Net income per share			
Basic	1.32	0.70	1.37
Diluted	1.29	0.69	1.34
Cash flow [(1)]	173,390	100,064	132,087
Cash flow per share			
Basic	2.31	1.35	1.79
Diluted	2.26	1.33	1.76
Net capital expenditures – excluding acquisitions	101,504	63,060	71,033
Working capital (deficit)	(19,711)	(33,598)	76,560
Long-term debt, net of current portion	–	7,689	–
Shareholders' equity	563,659	475,476	432,059
Return on average shareholders' equity (%)	19.1	11.4	26.1
Long-term debt to equity	n.a.	0.02:1	n.a.
Weighted average common shares outstanding	75,004,859	74,197,152	73,673,402
Closing share price, December 31	20.60	16.66	13.35

[(1)] Cash flow is defined as "Cash provided by operating activities before the change in non-cash working capital".

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 31, 2001.

Share Trading Summary

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2003					
March 31	19.02	15.81	17.47	10,210,545	180,008,847
June 30	21.11	16.60	20.20	13,010,297	241,617,833
September 30	21.58	18.78	19.86	9,376,980	188,856,729
December 31	21.50	18.77	20.60	13,313,855	268,678,242
Total				45,911,677	879,161,651

2000	1999	1998	1997	1996	1995	1994
672,041	372,322	418,919	517,500	245,429	180,665	174,940
186,017	98,240	127,999	158,240	67,907	46,216	46,606
27.7%	26.4%	30.6%	30.6%	27.7%	25.6%	26.6%
26,525	22,733	20,516	12,493	6,430	4,964	3,412
86,999	29,837	48,790	68,035	25,828	17,148	19,165
1.19	0.42	0.72	1.10	0.42	0.30	0.35
1.17	0.41	0.71	1.08	0.42	0.29	0.32
105,903	62,526	73,053	96,716	38,176	25,895	25,703
1.45	0.88	1.08	1.56	0.63	0.45	0.48
1.42	0.86	1.05	1.52	0.61	0.43	0.42
45,826	45,380	(2,175)	50,437	83,185	5,580	28,352
51,817	37,755	43,637	29,186	(4,164)	14,378	(1,049)
14,938	29,805	44,823	26,518	36,132	3,951	6,876
338,654	257,168	261,901	148,592	84,722	62,009	46,825
29.2	11.5	23.8	58.3	35.2	31.5	51.4
0.04:1	0.12:1	0.17:1	0.18:1	0.43:1	0.06:1	0.15:1
72,819,858	71,251,287	67,744,881	61,847,022	60,958,629	57,012,552	53,622,159
18.50	11.17	4.50	11.53	8.42	2.33	1.67

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2002					
March 31	16.19	12.15	15.62	14,823,491	207,021,421
June 30	17.75	15.05	16.51	7,140,207	118,623,729
September 30	16.75	13.10	15.19	4,845,931	73,773,942
December 31	17.30	13.50	16.66	7,993,171	129,024,103
Total				34,802,800	528,443,195

Operating Management

CANADIAN DRILLING

Bob Geddes
President

Wayne Kipp
Sr. Vice President – Operations

Paul Meade-Clift
Director Engineering

Rick Simonton
Sales and Marketing Director

Tom Fellows
Director Credit Management

Bob Apps
Sales Representative

Jason Darrow
Sales Representative

Larry Gates
Sales Representative

David Page
Sales Representative

Paulo Facca
Sales Representative

Cindy Hames
Director of Personnel

Walter Hopf
Drillers Training Manager

Grant Clearwater
Assistant Treasurer

Dave Fyhn
Manager Administration

Big Sky Drilling

Jason Hager
Vice President

Brian Chicoine
General Manager

Bob Betts
Drilling Superintendent

Rick Mann
Drilling Superintendent

Derek Smith
Drilling Superintendent

Champion Drilling

Joe Hemsing
Vice President and General Manager

Darryl Maser
Operations Manager

Paul Fitton
Drilling Superintendent

Gerald Huber
Drilling Superintendent

Matt Schmitz
Drilling Superintendent

Dean Ulmer
Safety and Personnel

Rhian Schroeder
Chief Accountant

Ensign Drilling

Earle Routly
Vice President – Drilling

Bob Zanusso
Senior Operations Manager

Dave Surridge
Operations Manager

Ron Pettapiece
Senior Operations Engineer

Wayde Barker
Drilling Superintendent

Manfred Behnke
Drilling Superintendent

Roch Currier
Drilling Superintendent

Don Juska
Drilling Superintendent

Doug Lane
Drilling Superintendent

Dale Leitner
Drilling Superintendent

Ed Mattie
Drilling Superintendent

Rob Hunt
Drilling Superintendent

Hank vanDrunen
Shop Manager

Arnet Pachal
Materials Coordinator

Joe Brlekovich
Maintenance Superintendent

Tom McDonald
8th Street Business Manager

Donna Conley
Chief Accountant

Tri-City Drilling

Steve Matthews
Vice President and General Manager

Rick VanEe
Operations Manager

Harvey Danyluk
Drilling Superintendent

Ian Mossop
Drilling Superintendent

Darin Ramsell
Drilling Superintendent

Peter Ens
Equipment Coordinator

Jan Badin
Safety and Training Coordinator

Donna Conley
Chief Accountant

Encore Coring & Drilling

Tom Connors
General Manager

Gary Hoffman
Contracts Manager

Glenn Thiessen
General Manager – Oilsands

Frank Beaton
Operations Manager

U.S. DRILLING

Ed Kautz
Executive Vice President

Tom Schledwitz
Vice President Operations

Caza Drilling Inc.

Mike Nuss
General Manager — Operations and Contracts

Hugh Giberson
Drilling Manager

Jim McCathron
Drilling Manager

Jeff Salen
Drilling Manager

Matt Rohret
Drilling Manager

Mel Curtis
Drilling Superintendent

Larry Lorenz
Drilling Superintendent

K. L. Tipps
Equipment Manager

Steve Grimes
Sales Representative

Harry Olds
Director of Health, Safety and Environment

Steve Hunt
Controller

Caza Drilling (California) Inc.

Gene Gaz
Area Manager

Troy Azlin
Drilling Manager

Kerry Fladeland
Drilling Superintendent

Sandy Bullman
Chief Accountant

INTERNATIONAL DRILLING

Ed Kautz
Executive Vice President

Ken Picard
Vice President and Chief Financial Officer

Garry White
Vice President and Chief Operating Officer

Bill Kable
Company Secretary and Manager, Commercial and Legal Affairs

Oil Drilling & Exploration Limited

Neil Hunter
Well Services Manager — Domestic and International

Neil Dean
Operations Manager — Australia and New Zealand

Gerry West
Operations Manager — Southeast Asia and South America

Geoff Pickford
Operations Manager — Middle East and Africa

John Bushell
Manager — Contracts and Tenders

Tony Belgrove
Manager — Purchasing/Supply

Andrew Discombe
Manager — Maintenance

David Grant
Manager — Health, Safety and Environment

David Kerr
Manager — Human Resources

Andrew Dolman
Financial Controller

James Van Rooen
Area Manager — South Australia, Northern Territory and Victoria

Glen Walter
Area Manager — West Australia

Mike Maguire
Area Manager — Queensland and New South Wales

Alan Winter
Area Manager — New Zealand

Don Wood
Area Manager — Indonesia

Ricardo Lopez Olaciregui
Area Manager — Argentina

Steven Ford
Area Manager — Libya

Dean Hills
Area Manager — The Middle East

Mick Valentine
Group Drilling Superintendent

Charlie Brown
Drilling Superintendent — Gabon

CANADIAN WELL SERVICING

Bob Geddes
President

Bryan Toth
Vice President and General Manager

Kirk Schroter
Divisional Controller

Lyle Aubin
Operations Manager

Art Brunet
Northwest Area Manager

Doug Callbeck
Southeast Area Manager

Gary Bennett
Sales and Marketing Director

Cameron Bennett
Technical Sales Engineer

Robin Brittner
Sales Representative

Daryl Sutherland
Sales Representative

Keith Vollmin
Sales Representative

William Kidd
Senior Field Safety Coordinator

Yvonne Covey
Chief Accountant

Ardmore Station

Jeff Hallwachs
Station Manager

Jeff Brant
Field Superintendent
Slave Lake

Kevin Rudell
Field Superintendent

Gord Torgersen
Field Superintendent

Brooks Station

Ed McCormick
Station Manager

Everett Coughlin
Field Superintendent

Norm Reid
Field Superintendent

Wayne Lawson
Sales Representative

Edmonton Station

Glen Mahdiuk
Station Manager

Philip Kent
Field Superintendent

Tom Gallacher
Sales Representative

Estevan Station

Jerry Mehler
Station Manager

Grande Prairie Station

Fred Steward
Station Manager

Cameron Ball
Field Superintendent

Brett Taylor
Sales Representative

Lloydminster Station

Roger Snider
Station Manager

Miles Kosteriva
Field Superintendent

Jason Pollom
Field Superintendent

Darwin Dean
Senior Sales Representative

Red Deer Station

R.J. Toth
Station Manager

Abe Shihinski
Field Superintendent

OPSCO ENERGY INDUSTRIES

Bob Geddes
President

Bob Dear
Vice President and General Manager

Dale Doering
Vice President Administration and Finance

Buzz Bradley
Vice President Marketing and Business Development

Ashraf Rajabali
Manufacturing Manager

Craig Delaney
Wireline Manager

Randy Reschke
Production Testing Manager

Jim Bucek
Safety Supervisor

ENHANCED PETROLEUM SERVICES

Bob Geddes
President

Jason Hager
Vice President and General Manager

Greg Cedergren
Assistant General Manager

Sheldon Jasper
Operations Manager
Enhanced Drill Systems

Randy Fasick
Assistant Operations Manager
Enhanced Drill Systems

Ralph Cock
Station Manager
Chandel Rentals — Red Deer

Fred Slobodian
Station Manager
Chandel Rentals — Whitecourt

Tatiana Vlassova
Chief Accountant

HI-CALIBRE INDUSTRIES

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Jim Clow
Operations Manager

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Corporate Information

DIRECTORS

Jack Donald [2]
Chairman of the Board
Parkland Income Fund

N. Murray Edwards
President
Edco Financial Holdings Ltd.

James B. Howe [1,3]
President
Bragg Creek Financial Consultants Ltd.

Donald Jewitt [1,3]
President
Veteran Resources Inc.

Len Kangas [2]
Independent Businessman

Selby Porter
President
Ensign Resource Service Group Inc.

John Schroeder [1,3]
Vice President Finance
Parkland Income Fund

Kenneth J. Skirka [2]
Independent Businessman

George S. Ward
Independent Businessman

Committee Members

[1] Audit
[2] Corporate Governance
[3] Compensation

CORPORATE MANAGEMENT

N. Murray Edwards
Chairman

Selby Porter
President

Bob Geddes
President
Canadian Operations

Ed Kautz
Executive Vice President
United States and
International Operations

Glenn Dagenais
Executive Vice President Finance and
Chief Financial Officer

Tom Medvedic
Treasurer

Bruce Moyes
Corporate Controller

Rob Wilman
Vice President– Health, Safety
and Environment

HEAD OFFICE

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BANKERS

Royal Bank of Canada
Wells Fargo Bank, N.A.
HSBC Bank Australia Limited

AUDITORS

PricewaterhouseCoopers LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbol: ESI

TRANSFER AGENT

Computershare Trust Company
of Canada

WEBSITE

www.ensigngroup.com

NOTICE OF ANNUAL GENERAL MEETING

The Ensign Group's Annual General Meeting of Shareholders will be held on Wednesday, May 19, 2004, at 3:00 p.m. M.S.T. at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. All shareholders are invited to attend, but if unable, we request the form of proxy be signed and returned.

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